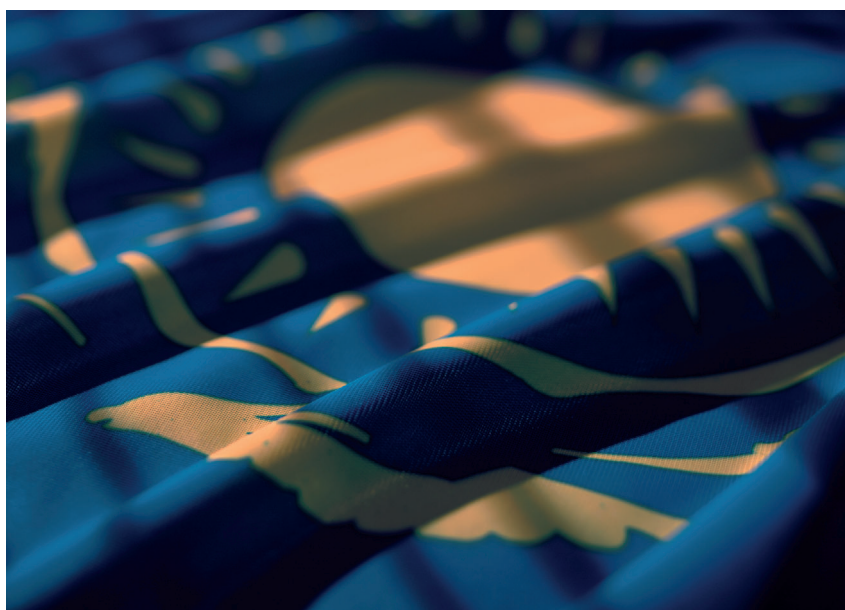


# Tau Capital plc



Sponsored by:



**SPENCER HOUSE**  
CAPITAL MANAGEMENT

Placing and Admission to AIM  
by Numis Securities Limited



**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should immediately consult an independent adviser authorised for the purposes of the Financial Services and Markets Act 2000 (as amended) who specialises in advising on the acquisition of shares and other securities.**

As at the date of this document, no Ordinary Shares have been admitted to trading on a regulated market. Application has been made for the whole of the ordinary share capital of Tau Capital plc (“**Tau**” or the “**Company**”), in issue and to be issued pursuant to the Placing, to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 9 May 2007.

**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 United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule 2 to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. No application has been made for the Ordinary Shares to be listed on any other recognised investment exchange.**

**Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed “Risk Factors” contained in Part 1 of this document. All statements regarding the Company’s business, financial position and prospects should be viewed in light of the risk factors set out in Part 1 of this document.**

This document is an AIM Admission Document which has been drawn up in accordance with the AIM Rules. This document has not been delivered to the Isle of Man Financial Supervision Commission for registration as a prospectus pursuant to section 38 of the Isle of Man Companies Act 1931 on the basis that the offer of Ordinary Shares constituted hereby is a “private placement” as defined in the Isle of Man Companies (Private Placements) (Prospectus Exemptions) Regulations 2000. This document and the Placing have not been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

---

## **TAU CAPITAL PLC**

*(a company incorporated in the Isle of Man and registered with number 119384C)*

### **PLACING**

**of 250,000,000 Ordinary Shares at a price of US\$1.00 per Ordinary Share**

**and**

**ADMISSION TO TRADING ON AIM**

*Nominated Adviser and Broker*

**NUMIS SECURITIES LIMITED**

---

#### **Share Capital**

(immediately following the Placing and on Admission)

<i>Authorised</i>			<i>Issued and Fully Paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£3,502,000	350,200,000	Ordinary Shares of £0.01 each	£2,510,000.02	251,000,002

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

This document does not constitute an offer to sell or an invitation to subscribe for or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such an offer or solicitation is unlawful and this document is not for distribution in or into the Prohibited Territories. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or the United States Investment Company Act 1940 (as amended) or under the applicable securities laws of the other Prohibited Territories and, unless an exemption under such Acts or laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within the Prohibited Territories for the account or benefit of any national, resident or citizen of the Prohibited Territories. The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

Numis Securities Limited (“**Numis**”), which is regulated by the Financial Services Authority, is acting for the Company and no one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Numis or for providing advice in relation to the Placing and Admission or any transaction or arrangement referred to in this document.

The Placing is conditional, *inter alia*, on Admission taking place on or before 9 May 2007 (or such later date as the Company and Numis may agree). The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after the date of this document.

# CONTENTS

	<b>Page</b>
<b>Directors and Advisers</b>	3
<b>Placing Statistics</b>	5
<b>Expected Timetable of Principal Events</b>	5
<b>Definitions</b>	6
<b>Key Information</b>	13
<b>Part 1 Risk Factors</b>	16
<b>Part 2 Information on the Company</b>	27
<b>Part 3 Background Information on Kazakhstan and the Investment Countries</b>	48
<b>Part 4 Taxation</b>	59
<b>Part 5 Additional Information</b>	65
<b>Part 6 Accountants' Report</b>	93
<b>Part 7 Terms and Conditions of the Placing</b>	98

## DIRECTORS AND ADVISERS

<b>Directors</b>	Philip Lambert Richard Horlick Almas Chukin Robert Brown, III Philip Scales	<i>Chairman and Independent Non-Executive Director</i> <i>Non-Executive Director</i> <i>Non-Executive Director</i> <i>Independent Non-Executive Director</i> <i>Independent Non-Executive Director and Company Secretary</i>
	<i>All of the Registered Office</i>	
<b>Registered Office</b>	IOMA House Hope Street Douglas IM1 1AP Isle of Man	
<b>Investment Manager</b>	Spencer House Compass Capital Limited PO Box 309GT Ugland House South Church Street George Town Grand Cayman Cayman Islands	
<b>Investment Advisers</b>	Spencer House Capital Management, LLP 32-33 St James's Place London SW1A 1NR United Kingdom  Compass Asset Management Limited Queensgate House 113 South Church Street P.O. Box 1234 George Town Grand Cayman KY1-1108 Cayman Islands	
<b>Nominated Adviser and Broker</b>	Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom	
<b>Administrator and Registrar</b>	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas IM1 1AP Isle of Man	
<b>Sub-administrator</b>	PFPC International Limited Riverside Two Sir John Rogersons Quay Grand Canal Dock Dublin 2 Ireland	

<b>Auditors</b>	Ernst & Young LLC 51-59 Circular Road Douglas IM1 1AZ Isle of Man
<b>Reporting Accountants</b>	Ernst & Young LLP 1 More London Place London SE1 2AF United Kingdom
<b>UK Solicitors to the Company</b>	White & Case LLP 5 Old Broad Street London EC2N 1DW United Kingdom
<b>Isle of Man Advocates to the Company</b>	Cains Advocates Limited 15-19 Athol Street Douglas IM1 1LB Isle of Man
<b>Cayman Islands Counsel to the Fund</b>	Maples and Calder PO Box 309GT Ugland House South Church Street George Town Grand Cayman Cayman Islands
<b>Solicitors to the Nominated Adviser and Broker</b>	Dechert LLP 160 Queen Victoria Street London EC4V 4QQ United Kingdom
<b>CREST Service Provider and UK Transfer Agent</b>	Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St Helier JE4 8PN Jersey
<b>Custodians</b>	Morgan Stanley & Co International plc 25 Cabot Square Canary Wharf London E14 4QA United Kingdom  Subsidiary Bank HSBC Kazakhstan Joint Stock Company 43 Dostyk Avenue 050010 Almaty Kazakhstan

## PLACING STATISTICS

Placing Price	US\$1.00
Number of Placing Shares	250,000,000
Number of Ordinary Shares in issue immediately following Admission*	251,000,002
Gross proceeds of the Placing receivable by the Company*	US\$250,000,000
Estimated net proceeds of the Placing receivable by the Company after expenses*	US\$241,300,000
Market capitalisation of the Company at the Placing Price*	US\$251,000,002

\*assuming the Placing is fully subscribed

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2007
Publication of this document	3 May
Effective issue date of the Placing Shares	9 May
Admission effective and dealings commence in the Ordinary Shares on AIM	9 May
CREST accounts credited (as applicable)	9 May
Definitive share certificates despatched (as applicable)	no later than 23 May

## DEFINITIONS

References in this document to statutes or government agencies are, unless specifically stated otherwise, to statutes or government agencies in the UK. References to the Company and the Fund are used interchangeably throughout this document. The following definitions apply throughout this document unless the context requires otherwise:

“1933 Act”	the US Securities Act of 1933, as amended
“1986 Act”	the Companies Act 1986 of the Isle of Man
“Act”	the UK Companies Act 1985 (as amended)
“Acquisition Cost”	in respect of a Private Companies Investment, the acquisition cost of such investment together with any costs and expenses directly associated with such acquisition borne by or on behalf of the Company whether directly or indirectly
“Administration Agreement”	the administration and secretarial agreement dated 3 May 2007 between the Company (1), the Administrator (2), the General Partner (3) and the Fund (4) a summary of which is set out in paragraph 11.5 of Part 5 of this document
“Administrator”	IOMA Fund and Investment Management Limited (a company incorporated under the laws of the Isle of Man with registered number 114420C whose registered office is at IOMA House, Hope Street, Douglas IM1 1AP, Isle of Man)
“Admission”	the admission of the Ordinary Shares, in issue and to be issued pursuant to the Placing, to trading on AIM becoming effective pursuant to paragraph 6 of the AIM Rules
“Affiliates”	in relation to any Person (i) any other person that directly or indirectly controls, is controlled by, or is under common control with such Person; or (ii) any officer, director, employee of such person or such other Person
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing the admission to and the operation of AIM
“Alliance Group”	the term used to describe a pool of capital associated with Lord David Alliance
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 7 of Part 5 of this document
“Board” or “Directors”	the directors of the Company for the time being and (where the context requires) comprises those persons as at the date of this document whose names appear on page 3 of this document
“CAM”	Compass Asset Management Limited (a company incorporated in the Cayman Islands and registered with number 58676-1910-AQ) whose registered office is at Queensgate House, 113 Southchurch Street, P.O. Box 1234, George Town, Grand Cayman, KY1-1108, Cayman Islands
“Carried Interest Limited Partners”	the limited partners in the Carried Interest Partner

“Carried Interest Partner”	Tau (Carried Interest) L.P. (an exempted limited partnership registered in the Cayman Islands, with registered number 19732) whose registered office is at c/o M&C Corporate Services Limited, PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands acting by its general partner
“Carried Interest Partnership Agreement”	the partnership agreement between the Carried Interest Limited Partners (1), the Manager (in its capacity as general partner of the Carried Interest Partner) (2) and SHCM (in its capacity as initial limited partner of the Carried Interest Partner) (3), in respect of the ownership and operation of the Carried Interest Partner
“CIS”	the Commonwealth of Independent States comprising Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, the Kyrgyz Republic, Moldova, Russia, Tajikistan, Ukraine, and Uzbekistan
“City Code”	the City Code on Takeovers and Mergers
“Cornerstone Amount”	US\$42.1 million invested by the Cornerstone Investors
“Cornerstone Investors”	VISOR, J Rothschild Group, Numis, Alliance Group and Affiliates of SHCM, being the cornerstone investors in the Company
“Cornerstone Investment Shares”	the 42,100,000 Ordinary Shares in the Company being subscribed for by the Cornerstone Investors at a price equal to the Cornerstone Amount pursuant to the Placing Agreement
“CPI”	consumer price index
“CREST”	the relevant system (as defined in the Uncertificated Regulations) for the paperless settlement of trades in listed securities and the holding of shares in Uncertificated Form in respect of which CRESTCo is the Operator (as defined in the Uncertificated Regulations)
“CREST Service Provider”	Computershare Investor Services (Channel Islands) Limited a company incorporated in Jersey with registered number 75505 and whose registered address is at Ordnance House, 31 Pier Road, St Helier, JE4 8PW, Jersey
“Custodian Agreements”	the custodian agreements dated 3 May 2007 entered into between Morgan Stanley (1) and the Company (2) and the custodian agreements to be entered into on or before Admission between HSBC (1) and the Company (2) a summary of both of which is set out in paragraph 11.7 of Part 5 of this document
“Custodians”	HSBC and Morgan Stanley
“CRESTCo”	CRESTCo Limited, the operator of CREST
“Enterprise Value”	the value of business calculated by adding equity value, preferred stock and outstanding debt and subtracting the cash and cash equivalents
“ERISA”	the United States Employee Retirement Income Security Act of 1974, as amended
“FSA”	the Financial Services Authority of the United Kingdom
“FSMA”	the UK Financial Services Markets Act 2000 (as amended)

“Fund”	Tau (Cayman) L.P. (an exempted limited partnership registered in the Cayman Islands with registered number 19732) whose registered office is at c/o M&C Corporate Services Limited, PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands, acting by its general partner, the General Partner
“Fund High Water Mark”	the Gross Offer Proceeds plus the Fund Hurdle Return, provided that if the Net Asset Value at 31 December in any year (adjusted <i>pro rata</i> as appropriate for any new Ordinary Shares issued by, or dividends or distributions paid by, or Ordinary Shares repurchased by, the Company during the relevant period) exceeds the prevailing Fund High Water Mark for such year (the amount of such Net Asset Value being the “ <b>Watermark NAV</b> ”), then the definition of “Fund High Water Mark” shall be revised to mean the amount of the Watermark NAV plus the Fund Hurdle Return (applicable <i>mutatis mutandis</i> in any subsequent years where the actual Net Asset Value (as adjusted) exceeds the prevailing Fund High Water Mark)
“Fund Hurdle Return”	in respect of a date, that amount by which the Gross Offer Proceeds or, as applicable, the Watermark NAV would need to have increased as would on the relevant date result in the Gross Offer Proceeds or, as applicable, the Watermark NAV having increased at a rate equivalent to LIBOR plus 3 per cent. per annum since the Manager Performance Payment last became payable or (if no Manager Performance Payment has become payable) the date of Admission
“Fund Partnership Agreement”	the partnership agreement between the Company (as limited partner) (1), the General Partner (2), the Carried Interest Partner (as limited partner) (3) and SHCM (in its capacity as initial limited partner of the Fund) (4) in respect of the ownership and operation of the Fund, a summary of which is set out in paragraph 11.2 of Part 5 of this document
“General Partner”	Tau Cayman Limited (an exempted company incorporated with limited liability in the Cayman Islands with registered number 184531) whose registered office is at c/o M&C Corporate Services Limited, PO Box 309GT, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands
“GDP”	gross domestic product
“Gross Offer Proceeds”	the gross proceeds (before expenses) arising from the issue of the Placing Shares
“Group”	the Company, Carried Interest Partner, General Partner, the Fund and subsidiary companies from time to time
“HSBC”	Subsidiary Bank HSBC Bank Kazakhstan Joint Stock Company (a company incorporated under the laws of Kazakhstan) whose registered office is at 43 Dostyk Avenue, 050010 Almaty, Kazakhstan
“Hurdle Return”	the amount, if any, that would be required to be distributed to the Company as would on the date of the relevant distribution give the Company an IRR of LIBOR plus 3 per cent. per annum in relation to the Acquisition Cost of the relevant Private Companies Investment

“IAS”	International Accounting Standards
“IFRS”	International Financial Reporting Standards
“Investment Advisers”	CAM and SHCM
“Investment Advisory Agreements”	the two investment advisory agreements, both dated 3 May 2007, the first between the Manager (1) and CAM (2); and the second between the Manager (1) and SHCM (2) a summary of each of which is set out in paragraph 9.3 of Part 2 of this document
“Investment Advisers Shares”	the 42,000,000 Ordinary Shares in the Company forming part of the Placing Shares to be placed with investors by the Investment Advisers
“Investment Countries”	the Kyrgyz Republic, Uzbekistan, Turkmenistan, Tajikistan and Russia
“Investment Policy”	the investment policy as set out in paragraph 3 of Part 2 of this Admission Document (as amended from time to time)
“Investments”	investments in investee companies, whether Public Equities, Private Companies or in Special Situations
“IPO”	initial public offering
“IRR”	in respect of any Private Companies Investment, the annualised return (compounded on an annual basis) on the Acquisition Cost of such Investment
“Isle of Man Law”	the Companies Acts 1931 to 2004 of the Isle of Man and subordinate legislation made thereunder and every modification of re-enactment thereof for the time being in force
“J Rothschild Group” or “JRG”	the term used to describe a pool of capital associated with Lord Jacob Rothschild
“KASE”	the Kazakhstan Stock Exchange
“LIBOR”	in any year, the arithmetic mean of the rates of interest at which US Dollar deposits are offered in the London inter-bank market for a three-month period (or, if not available, such other period as determined by the General Partner in its sole discretion) as of 11.00 a.m. (London time) on the first Business Day of each calendar quarter in such year
“Lock-up Agreement”	the lock-up agreement dated 3 May 2007 between the Company (1), Numis (2), and the Directors, Senior Managers and Cornerstone Investors (other than Numis and Alliance Group) (3), a summary of which is set out in paragraph 10.3 of Part 5 of this document
“London Stock Exchange”	London Stock Exchange plc
“Managed Accounts”	separate accounts of institutions and individuals to which CAM and SHCM provides investment management and/or advisory services
“Management Agreement”	the management agreement dated 3 May 2007 between the Company (1), the General Partner (2), the Fund (acting by its general partner) (3) and the Manager (4), a summary of which is set out in paragraph 11.3 of Part 5 of this document

“Manager” or “Investment Manager”	Spencer House Compass Capital Limited (an exempted company incorporated with limited liability in the Cayman Islands with registered number 184537) whose registered office is at c/o M&C Corporate Services Limited, PO Box 309GT, Uglund House, South Church Street, George Town, Grand Cayman, Cayman Islands
“Manager Performance Payment”	an amount (if any) equal to 20 per cent. of the increase in the Net Asset Value of the Company at 31 December in the relevant year over the Fund High Water Mark
“Morgan Stanley”	Morgan Stanley & Co. International plc, (a company incorporated under the laws of England and Wales and registered with number 02068222) whose registered office is at 25 Cabot Square, Canary Wharf, London, E14 4AQ
“Net Asset Value” or “NAV”	the value of the assets of the Company less its liabilities, calculated in accordance with the valuation guidelines laid down by the Board, further details of which are set out in paragraph 3 of Part 2 of this document
“Nominated Adviser and Broker Agreement”	the agreement dated 3 May 2007 between the Company (1), the Directors (2) and the Nominated Adviser (3), a summary of which is set out in paragraph 11.4 of Part 5 of this document
“Numis” or “Nominated Adviser”	Numis Securities Limited (a company incorporated in England and Wales with registered number 02285918) whose registered office is at The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT
“Numis Option Deed”	the deed of option dated 3 May 2007 between the Company (1) and Numis (2), a summary of which is set out in paragraph 11.6 of Part 5 of this document
“Numis Placing Shares”	the 165,900,000 Ordinary Shares in the Company forming part of the Placing Shares to be placed with investors by Numis
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company
“Person”	any individual, sole proprietorship, partnership, limited partnership, firm, joint venture, unincorporated association, unincorporated syndicate, unincorporated organisation, trust, body corporate, company, corporation, regulatory body or agency, government or governmental agency, authority or entity, however designated or constituted and a natural person in any capacity including as a trustee, executor, administrator or other legal representative
“Placing”	the placing by Numis of the Numis Placing Shares, the Cornerstone Investment Shares and the Investment Advisers Shares at the Placing Price pursuant to the Placing Agreement, as described in this document
“Placing Agreement”	the placing agreement dated 3 May 2007 between the Company (1), the Manager (2), Numis (3), SHCM (4), CAM (5) and the Directors (6), a summary of which is set out in paragraph 10.1 of Part 5 of this document
“Placing Amount”	the Placing Price multiplied by the number of Placing Shares
“Placing Price”	US\$1.00 per Placing Share

“Placing Shares”	250,000,000 new Ordinary Shares to be issued in connection with the Placing
“Portfolio Companies”	means the bodies corporate or other entities (including their Affiliates) in which Investments have been or are proposed to be made by the Company
“Private Companies”	companies that are not public companies (including state-owned companies) and which are not allowed to offer, or have not offered, their shares to the general public
“Private Companies Investment”	means an investment in a Private Company or Special Situation
“Prohibited Territories”	USA, Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa and their respective territories and possessions
“Public Equities”	companies whose securities are admitted to trading on the KASE or any other stock exchange or are otherwise traded on an over-the-counter market in Kazakhstan and the Investment Countries
“Public Equities Investment”	means an investment in Public Equities
“Registrar”	IOMA Fund and Investment Management Limited (a company incorporated under the laws of the Isle of Man whose registered number 114420C whose registered office is at IOMA House, Hope Street, Douglas IM1 1AP, Isle of Man)
“SDRT”	stamp duty reserve tax
“Sector”	means oil and gas exploration and production, metals and mining, transport and logistics, consumer-related, telecommunications, financial services and business services
“Senior Managers”	Alexander Bezugly, Mikhail Derkavski, Aidan Karibjanov, Richard Ford and Nikolay Varenko
“Shareholders”	holders of Ordinary Shares
“Short Term Investments”	cash or investments of Company funds in investment grade securities for a short term period pending Investment in Portfolio Companies or distribution to the Manager, the Carried Interest Partner or the Company, but excludes any short term investments in Public Equities in compliance with the investment strategy of the Company
“SHCM”	Spencer House Capital Management, LLP (a limited liability partnership incorporated in England and Wales and registered with number OC317077) whose registered office is at 32-33 St James’s Place, London SW1A 1NR
“Special Situations”	such situations which when judged on an individual basis are deemed by the Investment Advisers to be of a size and type suitable for the Fund to invest in and which can be broadly described as bridge equity finance and recapitalisations
“Sterling” or “£”	pounds sterling, the lawful currency for the time being of the UK
“Sub-administration Agreement”	the sub-administration and secretarial agreement dated 3 May 2007 between the Administrator (1) and the Sub-administrator (2)

“Sub-administrator”	PFPC International Limited, Riverside Two, Sir John Rogersons Quay, Grand Canal Dock, Dublin 2, Ireland
“Sub-Placing Agreement”	the sub-placing agreement dated 3 May 2007 between Numis (1), SHCM (2) and CAM (3) a summary of which is set out at paragraph 10.2 of Part 5 of this document
“subsidiary undertakings”	has the same meaning given to that term under IAS 27, Consolidated and Separate Financial Statements
“Takeover Directive”	the European Directive on Takeover Bids (2004/25/EC), implemented in the UK on 6 April 2007 by Part 28 of the Companies Act 2006
“Takeover Panel”	the Panel on Takeovers and Mergers established for the purposes of the City Code
“Tau” or “Company”	Tau Capital plc (a company incorporated in the Isle of Man and registered with number 119384C) whose registered office is at IOMA House, Hope Street, Douglas, IM1 1AP, Isle of Man
“Treasury Shares”	a company’s own issued shares that it has bought but not cancelled where the purchase was financed out of the company’s distributable profits
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“UK Transfer Agent”	Computershare Investor Services (Channel Islands) Limited a company incorporated in Jersey with registered number 75505 and whose registered address is at Ordnance House, 31 Pier Road, St Helier, JE4 8PW, Jersey
“Uncertificated Form”	shares recorded in the Company’s register of members as being held in uncertificated form, title to which may be transferred by means of an instruction issued in accordance with the rules of CREST
“Uncertificated Regulations”	the Uncertificated Securities Regulations 2005 of the Isle of Man
“United States” or “US”	the United States of America, its territories and possessions, any state or political sub-division of the United States of America, the District of Columbia and all other areas subject to its jurisdiction
“US Person”	has the meaning given in Regulation S under the 1933 Act
“US\$” or “US dollar”	United States dollars, the lawful currency for the time being of the United States
“Valuation Date”	shall mean 30 June and 31 December in each particular year when the Investments shall be valued in accordance with paragraph 3.3 of Part 2
“VAT”	value added tax or any equivalent tax in any jurisdiction
“VISOR”	VISOR Holding LLP, a limited liability partnership incorporated in Kazakhstan with registered number 69943-1910-T00 whose registered address is at The Republic of Kazakhstan, 050059, Almaty City, Medeuskiy Rayon, 240G Furmonov Street, 9th Floor

#### *Conversion Rates*

All conversions from pounds Sterling to US dollars is at a rate of 1.972.

## KEY INFORMATION

**The following information should be read in conjunction with the full text of this document from which it is derived, including the risk of investing in the Shares as set out in “Risk Factors”.**

### Overview

Tau Capital plc is a newly incorporated investment company established to allow investors the opportunity to realise returns through investing in both public and private businesses that are established, operating or have exposure to Kazakhstan. Although Kazakhstan focused, the Company will also seek investment opportunities in the Kyrgyz Republic, Uzbekistan, Turkmenistan, Tajikistan and Russia. These investments are proposed through the utilisation of the knowledge and skills of a highly connected and credible management team with a track record of successful investments in these countries.

Spencer House Compass Capital Limited will act as the manager to the Company and will be responsible for identifying, structuring and monitoring investments. The Manager will delegate its responsibilities to SHCM and CAM, the Investment Advisers, who together have experience in both investment and operational activities in Kazakhstan and the wider region since the mid 1990s, as well as the structuring of private company investments and asset management. The Investment Advisers will target a broad range of sectors, including oil and gas exploration and production, metals and mining, transport and logistics, consumer-related, telecommunications, financial services and business services.

Going forward, the Company may seek a secondary listing on KASE as a means of further integrating the Fund into Kazakhstan and improving the liquidity in the Ordinary Shares.

### The Company and the Fund

The Company is incorporated in the Isle of Man. The Company has a majority of non-UK based Directors and is managed and controlled from the Isle of Man.

The Company will make its investments indirectly as a limited partner in the Fund. The Fund intends to adopt a group structure employed by overseas owners of investments in Kazakhstan and the Investment Countries. The Investments of the Fund may be owned directly or, more likely, through special purpose companies incorporated in a jurisdiction which enjoys a favourable double tax treaty with Kazakhstan or the particular Investment Country.

### Investment Strategy

The Company through the Fund aims to:

- invest in Public Equities of companies with assets in Kazakhstan or in the Investment Countries (or whose business has exposure to Kazakhstan or in the Investment Countries), who have securities listed on the KASE or any other stock exchange or are otherwise traded on over-the-counter markets in Kazakhstan, the Investment Countries or internationally; and
- provide equity and equity-related investment capital to Private Companies operating in or with business exposure to Kazakhstan and further in the Investment Countries (or whose business is located within Kazakhstan or an Investment Country) who are seeking capital for growth and development, consolidation or acquisition, or as a pre-IPO round of financing. Investments may also be made in Special Situations if the Manager considers the investment to be of a type in keeping with the aims of the Fund.

These investments may be in combination with additional debt or equity-related financings, and potentially in collaboration with other value-added financial and/or strategic investors.

The Company intends to invest not less than 50 per cent. of its NAV in Kazakhstan or entities which have their primary business interests in Kazakhstan while allowing for potentially up to 50 per cent. of its NAV being invested in the Investment Countries. The Company’s investment approach is intended to deliver

investors a full range of investment opportunities. Once fully invested, the Fund will have a minimum of 50 per cent. of its asset allocation in Public Equities and up to 50 per cent. in Private Companies and Special Situations, although the initial Investments made by the Fund will nearly all be made in Public Equities.

The Company through the Fund proposes to limit the concentration of funds in any one Investment to a maximum of 15 per cent. of the Fund's NAV with a cap of 30 per cent. of its NAV in any one Sector.

The Directors shall target a broad range of sectors including oil and gas exploration and production, metals and mining, transport and logistics, consumer-related, telecommunications, financial services and business services as they believe that these sectors in each of Kazakhstan and the Investment Countries' economies provide capital appreciation opportunities for investors.

#### *Public Equities*

When investing in Public Equities, the Company will seek to invest a majority of its funds in a core portfolio of approximately 10 investments which, in the opinion of the Manager, provide the best medium term (one to two years) value creation potential. These core positions will typically be between 5 per cent. and 15 per cent. of the NAV of the Fund. The Manager will seek to select "national champions" within Kazakhstan or the Investment Countries or companies with strong positions or strong growth potential in their respective sectors. The Company will seek to deploy the balance of the funds in shorter-term (less than one year) tactical holdings, typically each up to 5 per cent. of the Fund's NAV.

#### *Private Companies and Special Situations*

The Company intends generally to take minority equity stakes of greater than 10 per cent. in each Private Company and may seek to secure board representation where it considers that the Company and/or an investee company would benefit from such an appointment. The Company may take controlling positions in investee companies from time to time.

It is anticipated that each equity investment will typically be between 5 per cent. and 15 per cent. of the NAV of the Fund which may be supplemented by co-investment with third party investors, which is expected to give a portfolio of six to eight individual investments being managed at any given time. The Company intends to provide investee companies with the necessary capital and assist, if required, in strengthening the management teams with financial, marketing and other skills.

Special Situations may be presented to the Fund from time to time. These Investments cannot be described as either Public Equity Investments or Private Companies Investments but are of a type which the Investment Advisers would consider to be of a suitable nature for the Fund. They would typically include bridge equity financing and recapitalisations and could require changes to the management teams of the investee companies to effectively take the business forward. The Company intends to invest between 5 per cent. and 15 per cent. of the NAV of the Fund in each Special Situation.

#### **The Manager and the Investment Advisers**

The Company will be advised by the Manager pursuant to the terms of the Management Agreement. The ordinary shares of the Manager are owned by the Investment Advisers; CAM and SHCM. The board of directors of the Manager includes two non-executive directors based in the Cayman Islands.

The Manager will delegate its responsibilities to the Investment Advisers, being CAM and SHCM, pursuant to the terms of the Investment Advisory Agreements. CAM has both public and private equity execution skills combined with a strong presence in Kazakhstan and the Investment Countries. SHCM has notable international asset management expertise. The Investment Advisers will be responsible for identifying and developing investment opportunities for the Fund.

The services provided by the Manager under the Management Agreement shall be on an exclusive basis to the Company until the fifth anniversary of the date of Admission (unless the Management Agreement is otherwise terminated in accordance with its terms).

## **Cornerstone Investors**

The Cornerstone Investors, comprising VISOR, J Rothschild Group, Numis, Alliance Group and Affiliates of SHCM, will together invest US\$42.1 million in the Company on Admission.

## **Reasons for Admission and the Placing**

The Directors are seeking admission to AIM in order to raise US\$250,000,000 (before expenses) through the placing of 250,000,000 Placing Shares at US\$1.00 for each Placing Share, which will be used (a) to fund Investments in accordance with the investment policy and strategy outlined in this document, (b) to pay ancillary costs and (c) for general corporate purposes.

## **Risk Factors**

Prior to investing in the Company, prospective investors should consider, together with the other information contained in this document, the risks and other factors attaching to an investment in the Company, including in particular, the factors set out in "Risk Factors" in Part 1 of this document.

## **Management Fee and Manager Performance Payment**

The Manager will be entitled to a management fee of 2 per cent. of the NAV of the Company per annum.

The Company has agreed to pay the Manager Performance Payment equal to 20 per cent. of the increase in the NAV of the Company at 31 December in the relevant year over the Fund High Water Mark if the NAV of the Company as at 31 December in the relevant year is greater than or equal to the Fund High Water Mark.

The Manager Performance Payment shall be paid either to the Manager or the Carried Interest Partner (comprising CAM, SHCM, Richard Horlick, Richard Ford and Alexander Bezugly), in the form of a carried interest payment equal to up to 20 per cent. of the total returns earned on any Private Companies Investment over the Hurdle Return per annum. The carried interest payment shall be calculated and paid only from Private Companies Investments that have been realised by the Fund and in accordance with the Investment Policy of the Company.

Any payment in the form of a performance fee paid pursuant to the Management Agreement (excluding the annual management fee) or a carried interest payment paid pursuant to the Fund Partnership Agreement will not exceed the aggregate amount of the Manager Performance Payment in respect of the relevant year.

## **Lock-in Arrangements**

Pursuant to the Lock-up Agreement, each of the Directors, the Senior Managers and the Cornerstone Investors, other than Numis and Alliance Group has undertaken to the Company and to Numis, as the nominated adviser and broker, that, except in certain limited circumstances as permitted by the AIM Rules (including acceptance of a general offer to holders of all the Ordinary Shares), they will not dispose of any Ordinary Shares including any shares acquired after Admission for a period of 12 months following Admission. Further, any disposal of Ordinary Shares within six months following the first anniversary of Admission shall only be effected following consultation with the Nominated Adviser and shall be made on an orderly basis.

## **Share Buy-Back Policy**

To the extent that following the initial Valuation Date on 31 December 2007 the volume weighted average market price of the Ordinary Shares on AIM in any three month period is at a discount of 10 per cent. or more to the NAV of the Company per Ordinary Share in issue, the Directors currently intend that they will undertake repurchases of the Company's shares, up to a maximum of 10 per cent. of the total number of Ordinary Shares in issue at a maximum discount of 10 per cent. to such per share NAV.

# PART 1

## RISK FACTORS

### **General**

An investment in the Company 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 be equal to the whole amount invested) which may result from such an investment. Prospective investors should carefully review and evaluate the risks and the other information contained in this document before making a decision to invest in the Company. If in any doubt prospective investors should immediately seek their own personal financial advice from their independent professional adviser authorised under the FSMA who specialises in advising on the acquisition of shares and other securities or other advisers such as legal advisers and accountants.

The risks set out below are the risks which the Directors currently consider to be material but are not the only risks, or the only potential risks, relating to the Company or an investment in the Company. There may be additional material risks that the Directors do not currently consider to be material or of which the Directors are not aware.

Prospective investors should be aware that the value of the Ordinary Shares and the income from them may go down as well as up and that they may not be able to realise their initial investment. In addition, it is possible that the market price of Ordinary Shares in the Company may be less than the underlying net asset value per Ordinary Share.

There can be no guarantee that the Company's investment objectives will be achieved.

References below to the Company are also deemed to include, where appropriate, the Fund.

### **General risk factors relating to the Company**

#### *Investment objective*

There can be no guarantee that the Manager will be successful in identifying suitable investments on financially attractive terms and that the investment objectives of the Company will be met. The Company's ability to achieve its investment objectives may be adversely affected in the event of any significant or sustained changes in market returns or volatility.

The acquisition of interests in investee companies and assets in Kazakhstan and the Investment Countries are the key part of the growth strategy of the Company. Such an acquisition strategy involves certain risks including, amongst others, unidentified past or future liabilities relating to the operations of the companies in which the Company invests, inability to receive accurate and timely information about these operations in order to make informed investment decisions, problems in integrating acquired operations of Private Companies and problems in hiring and retaining qualified personnel. Prospective investors should regard an investment in the Company as long-term in nature.

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

Under performance or failure of one or more of the Investments may have an adverse effect on the value of the Company.

#### *Dividends*

The level of dividend to be paid on the Ordinary Shares (if any) is not guaranteed and may fluctuate.

If under Isle of Man law there were to be a change to the basis on which dividends could be paid by Isle of Man companies, or if there were to be changes to accounting standards or the interpretation of accounting standards with which the Company complies, this could have a negative effect on the Company's ability to pay dividends.

The Company's ability to pay dividends will depend upon several factors, including the receipt of income payments in respect of Investments, the receipt of the proceeds of disposals of Investments, and the ability for the Company's subsidiaries to pay intra-group dividends to the Company itself. If the Company does not have sufficient distributable reserves available, it will be unable to pay any dividends to Shareholders.

#### *Gearing*

The Company may obtain facilities to borrow funds in the future. It is not certain that such facilities will be able to be obtained at levels or on terms acceptable to the Directors. Any amounts that are obtained under a bank facility are likely to rank ahead of Shareholders' entitlements. Accordingly, if the Company is unable to repay borrowings in full, Shareholders will not recover their initial investment.

Prospective investors should be aware that whilst the use of borrowings should enhance the NAV of the Ordinary Shares where the value of the Company's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

Should any fall in the underlying asset value or revenues result in the Company breaching financial covenants given to any lender, the Company may be required to repay such borrowings in whole or in part together with any related costs. If the Company is required to repay all or part of its borrowings, it may be required to sell assets at less than their fair value.

#### *AIM*

The Ordinary Shares will be admitted to AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. An investment in Ordinary Shares may be difficult to realise. Prospective investors should be aware that the value of the Ordinary Shares may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. Investors may therefore realise less than, or lose all of, their investment.

The Company is not currently subject to regulation in the United Kingdom, other than under the AIM Rules, which are less demanding than those of the Official List. However, prospective investors should note that there are ongoing consultations led by the FSA on the regulatory regime applicable to investment companies. It is possible that these consultations may lead to changes in the regulatory environment in which the Company operates, and any such changes may impact on the Company's ability to continue to conduct the activities as detailed herein. Investors should also note that the AIM Rules may be varied in the future, such that AIM is no longer an appropriate market on which to list the Company's Ordinary Shares. Although it is hoped that any such revisions to the AIM Rules or the regulatory environment in which the Company operates will not prejudice the Company, there can be no assurance that this will be the case.

#### *Kazakhstan Stock Exchange*

The Company may seek a secondary listing on the KASE although there is no guarantee that such listing will be achieved or that such listing will bring further benefit to the Company and the Shareholders.

#### *Currency risk*

The Company will transact in currencies other than Sterling, primarily in US dollars, Kazakhstan Tenge, the Kyrgyz Republic Som, Uzbekistani Som, Tajikistani Somoni, Turkmen Manat and Russian Roubles. Consequently, the Company's performance will be subject to the effect of exchange rate fluctuations with respect to the currencies used.

### *Directors and the Manager*

The Company is dependent upon its Directors and the Management Team (as described in paragraph 8 of Part 2 of this document) and may be adversely affected if the services of the Directors and/or the Manager (including other personnel employed by the Manager or the Investment Adviser) cease to be available to the Company.

### *Joint Venture Structure*

The Manager is jointly owned by SHCM and CAM. The relationship between these parties is presently very good although there is no guarantee that this will continue to be the case and it may deteriorate over time. In such circumstances, the Manager may be unable to rely on the services of either or both of SHCM and CAM which may result in disruption to the Fund.

### *Litigation*

Legal proceedings may arise from time to time in the course of the Company's business, due to the nature of the Company's operations and/or as a result of potential liabilities in investee companies. The Directors cannot preclude that such litigation may be brought against the Company in the future from time to time or that it may be subject to any other form of litigation.

### *Jurisdiction*

The Company is an Isle of Man incorporated company. As a result, the rights of Shareholders will be governed by the law of the Isle of Man and the Memorandum and Articles of Association of the Company. The rights of Shareholders under the laws of the Isle of Man may differ from the rights of shareholders of companies incorporated in other jurisdictions and the enforcement of such rights may involve different considerations and may be more difficult than would be the case if the Company had been incorporated in the jurisdiction of an investor's residence.

### *The Company has a limited operating history*

As of the date of Admission, neither the Company, the Fund or the Manager have started operating and, therefore, have no operating history. There can be no assurance of the degree to which the Company will be successful with the implementation of its business strategy.

## **Risk factors relating to the Group structure**

### *Changes in tax laws or their interpretation could affect the Company's financial condition or prospects*

Relief from taxation available to the Company may not be in accordance with the assumptions made by the Company and/or may change. Changes to the tax laws or practice in the Isle of Man, Kazakhstan, Cyprus, Uzbekistan, Russia, Tajikistan, Cayman Islands and/or the Netherlands or any other tax jurisdiction affecting the Company could be relevant in addition to changes in the United Kingdom. Such changes could affect the value of the Investments or affect the Company's ability to achieve its investment objective or alter the post-tax returns to Shareholders through dividends.

In addition, if the Company were treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it invests or in which its investments are managed, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax.

### *Changes to the tax residency of the Company and other members of the Group or changes to the treatment of intra-group arrangements could adversely affect the Company's financial and operating results*

In order to maintain its non-UK tax residency status, the Company is required to be controlled and managed outside the United Kingdom. The composition of the Company's board of directors, the place of residence of the board's individual members and the location(s) in which the board makes decisions will be important in determining and maintaining the non-UK tax residence status of the Company. While the Company is registered in the Isle of Man and a majority of the Directors live outside the United Kingdom, continued

attention must be addressed to ensure that major decisions are not made in the United Kingdom or the Company may lose its non-UK tax resident status. As such, unintended actions by management could potentially lead to the Company being considered a UK tax resident, which would negatively affect its financial and operating results.

There is a risk that amounts paid or received under intra group arrangements in the past and/or the future could be deemed for tax purposes to be lower or higher, as the case may be, which may increase the Group's taxable income or decrease the amount of losses available to the Group with a consequential negative effect on its financial and operating results.

### **Risk factors relating to potential Investments**

In addition to the risks already described, the following relate to potential Investments:

- The Company's investment portfolio will comprise interests in Public Equities, Private Companies and Special Situations primarily in Kazakhstan and in the Investment Countries which may be difficult to value and/or realise. Investment in the securities of smaller companies can involve greater risks than is customarily associated with investments in larger, more established companies. In particular, such companies may often have limited product lines, markets or financial resources and may be dependent on a small number of key individuals.
- The success of the Company and the Manager will be dependent upon, *inter alia*, the identification, acquisition and operation of suitable Investments. There can be no guarantee that such Investments can or will be acquired or that such Investments will be successful. Poor performance by any Investment could severely affect the total returns to Shareholders. In addition, the Company may be unable to fully invest its funds, limiting further the spread of investments within its portfolio.
- Investors should be aware that the companies in or through which the Company will make investments may themselves be geared. Although the use of gearing through bank borrowings may increase the return on those investments, it also creates greater potential for loss. This includes the risk that the borrower will be unable to service the interest payments or comply with the other requirements of the loan, rendering it repayable, the risk that available funds will be insufficient to meet required repayments and the risk that existing borrowings will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing borrowings.
- As at the date of this document, other than those Investments mentioned in this document, the Company has not selected the Investments it will make. Shareholders will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the Investments to be made by the Company and accordingly, will be dependent upon the judgement and ability of the Manager and the Directors in investing and managing the assets of the Company. No assurance can be given that the Company will be successful in obtaining suitable Investments, or that if such Investments are made, its investment objectives will be achieved.
- The value of the Company's assets will be determined in accordance with the valuation policies adopted by the Board, as detailed in paragraph 3 of Part 2 of this document. However, there can be no guarantee that Investments will ultimately be realised at any such valuation. Some of the Company's Investments may be difficult to realise in a timely manner, or at an appropriate price, or at all. This risk is increased because the Company may invest in Private Companies and Special Situations, which are generally less liquid than Public Equities.
- The Company may make only a limited number of Investments and these may be relatively concentrated, for instance in geographical or sectoral terms. Poor performance by one or more of these investments, or adverse events or sentiments affecting a geographical area or sector in which Investments are concentrated, could have a significant adverse effect on the returns received by the Company.

- The Company will not have a controlling interest in most of its Investments. These Investments involve risks that are not present with assets in which the Company owns a controlling interest, including:
  - the possibility that other shareholders might at any time have economic or other business interests or goals that are inconsistent with the Company's business interests or goals;
  - the possibility that other shareholders may be in a position to take action contrary to the Company's instructions or requests, or contrary to the Company's policies or objectives;
  - the possibility that other shareholders may have different objectives from the Company regarding the appropriate timing and pricing of any sale or refinancing of investments; and
  - the possibility that other shareholders might become bankrupt or insolvent.
- Even when the Company has a controlling interest in Private Companies in which it has invested, certain major decisions may require other shareholders approval. If the Company is unable to reach or maintain agreement with other shareholders in the matters relating to the operation of the investments, its business, financial conditions and results of operations may be materially adversely affected.
- Company law in Kazakhstan and the Investment Countries does not recognise many duties on the part of the majority shareholders to minority shareholders. Accordingly, there can be no assurance that the Company's Investments in Portfolio Companies will not be prejudiced by the actions of majority shareholders or directors.
- The initial Investments made by the Fund will nearly all be made in Public Equities, pending identification, negotiation and execution of Investments in Private Companies and/or Special Situations over time until the Fund meets its investment policy of having not less than 50 per cent. of its Investments in Public Equities and the remainder in Private Equities. Consequently, the Fund may need to realise its Investments in Public Equities in order to generate the necessary readily available funds to invest in Private Companies and/or Special Situations. The Company is unable to give any assurance that such Investments in Public Equities will be realised at or above their acquisition cost or at all, depending upon the market conditions of the relevant stock exchanges on which the Public Equities are listed or general macroeconomic conditions at the time of the proposed realisations. Any failure to realise Public Equities, or any such realisation below the cost of acquisition of such Investments, in order to be able to fund the investment in identified Private Companies may result in the Company being unable to complete such investment in the Private Company on commercially reasonable terms or at all or being required to reduce the size of any such Investment.

## **Risks relating to the Manager and Investment Advisers**

### *Reliance on the Manager and Investment Advisers*

The Company is reliant on the Manager, which has significant discretion as to the implementation of the Company's investment objectives and policies. In particular, the Company's performance is likely to be dependent on the success of the Manager's investment process. The service provided by the Manager will also be affected by the quality of the advice provided by the Investment Advisers. The loss of one or more members of the Manager's or Investment Advisers' management team, or the termination of the Investment Advisory Agreement or the Management Agreement, could lead to a material adverse effect on the business, financial condition or results of the Company.

### *Fee Structure*

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

### *Co-investment opportunities*

The Investment Advisers' personnel may manage investment vehicles of other clients, which may lead to conflicts of interest. For example, the Investment Advisers' personnel may from time to time allocate more of their attention to other investment vehicles than to the Company, possibly to the detriment of the Company. In addition, certain investments appropriate for the Company may also be appropriate for one or more other investment vehicles managed by the Investment Advisers, and the Investment Advisers may (in the limited circumstances in which it is permitted to do so under the terms of the Investment Advisers Agreement) decide to allocate a particular investment to another investment vehicle rather than to the Company. SHCM allocates investment opportunities on FSA principles such that allocation is fair to all relevant customers. The allocation policy of CAM is that all investment opportunities are to be offered, and if accepted, allocated on a *pro rata* basis across all funds, vehicles and accounts managed by CAM. Further, VISOR has agreed to offer the right of first refusal to CAM on all investment opportunities that are appropriate to offer to third party members.

### *Importance of market judgement*

Although the Manager will use its own, and third party financial models, software and databases in evaluating the economic components of certain prospective trades, the Manager's investment strategies are by no means wholly systematic; the market judgement and discretion of personnel of the Manager are fundamental to the implementation of these strategies. The greater the importance of subjective factors, the more unpredictable any proposed investment strategy becomes.

### **Risk factors relating to Kazakhstan and the Investment Countries**

Investors in emerging markets such as Kazakhstan and the Investment Countries should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic, diplomatic and political risks, social and religious instability, energy prices, taxation and interest rates, currency repatriation restrictions and devaluation, changes in exchange controls or lack of availability of hard currency, crime and corruption and developments in the law or regulations Kazakhstan and in the Investment Countries and, in particular, the risks of expropriation, nationalisation and confiscation of assets and changes in legislation relating to the level, or permissibility, of foreign ownership.

Investors should also note that emerging economies such as the Investment Countries are subject to rapid change and that the information set out in this Admission Document may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment.

Most of the companies in which the Company will invest will be located in and conduct their business in Kazakhstan and the Investment Countries. Accordingly, the Company's ability to improve its Investments and the results of its operations are substantially dependent on the economic and political conditions prevailing in Kazakhstan and the Investment Countries.

### *Kazakhstan and the Investment Countries have less liquid and developed securities markets than the United States and Western Europe*

Given that organised securities markets in Kazakhstan and the Investment Countries have been established relatively recently, the procedures for settlement, clearing and registration of securities transactions may be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully-developed in Kazakhstan and the Investment Countries. In particular, legal protections against market manipulation and insider trading are less well-developed in Kazakhstan and the Investment Countries, and less strictly enforced, than in the United States and Western European countries and existing laws and regulations may be applied inconsistently with consequent irregularities in enforcement. In addition, less information relating to the proposed target entities

and certain of the Investments may be publicly available to investors in securities issued or guaranteed by such entities than is available to investors in entities organised in the United States or Western European countries.

The Public Equities which are listed on KASE or a stock market in the Investment Countries may be less liquid and may carry a higher risk than an investment in shares listed on markets in the United States and Western Europe.

#### *Regional considerations*

Kazakhstan and each of the Investment Countries, other than Russia, depends on neighbouring states to access world markets for a number of its major exports, including oil, natural gas, steel, copper, ferro-alloys, iron ore, aluminium, coal, lead, zinc and wheat. Kazakhstan and the Investment Countries are therefore dependent upon good relations with their neighbours to ensure their ability to export and have taken various steps to promote regional economic integration among neighbouring countries. However, should access to export routes be materially impaired, this could adversely impact the economies of Kazakhstan and the Investment Countries. Moreover, adverse economic factors in the regional markets may adversely impact the economies of some or all of Kazakhstan and the Investment Countries.

#### *Political risk*

Like other countries in Central Asia, Kazakhstan and the Investment Countries could be affected by continuing political unrest in the region and the effect any resulting military action may have on the world economy and political stability of other countries. Also, Kazakhstan and some or all of the Investment Countries could be affected by terrorism or by military or other action taken against sponsors of terrorism in the region. Accordingly, significant political instability or social unrest could have a material adverse effect on the value of foreign investments in Kazakhstan and the Investment Countries and, therefore, the value of the Company's assets.

#### *Economic risk*

Since the collapse of the Soviet Union, Kazakhstan and the Investment Countries have at various times been affected by declines in gross domestic product, hyperinflation, unstable currencies and high government indebtedness relative to GDP. Although Kazakhstan and some of the Investment Countries may now have these factors under a greater degree of control, it cannot be guaranteed that this state of affairs will continue or that the economies in Kazakhstan and the Investment Countries will not rapidly deteriorate. This could materially affect the value of the Company's assets.

#### *Reliance on oil and gas*

Certain of the economies in Kazakhstan and the Investment Countries, particularly Kazakhstan, Turkmenistan, Uzbekistan and Russia are heavily dependent on the production and export of oil and natural gas and are therefore highly sensitive to changes in the world oil price. It is impossible to predict future oil price movements with any certainty. A reduction in the world oil prices may lead to a decline in the value of assets in Kazakhstan and the Investment Countries. In addition, it may have materially adverse effects on Kazakhstan and the Investment Country economies of Kazakhstan and some or all of the Investment Countries.

#### *Reliance on other commodities*

Some of the Investment Countries' economies are heavily dependent on the production and export of certain other commodities and are therefore highly sensitive to the changes in the world prices, for example, Kyrgyz Republic is heavily reliant on gold, Tajikistan on aluminium and Uzbekistan on gold and cotton.

#### *Crime and corruption*

High crime levels, including extortion and fraud, are still prevalent in a number of areas in Kazakhstan and the Investment Countries. Many businesses, particularly in large cities, are subject to the influences of criminal elements. It is alleged that some parts of Kazakhstan and the Investment Countries economic

systems continue to suffer from corruption. The Company may have to cease or alter certain activities or liquidate certain investments as a result of criminal threats or activities in the companies in which it invests. Legal rights may be difficult to enforce in the face of organised crime or corruption. Companies in which the Company invests may seek to structure transactions in an irregular fashion, to evade fiscal or legal requirements. They may also deliberately conceal information from the Company and its advisers or provide inaccurate or misleading information.

#### *Official data*

The quality and reliability of official data published by the government and government agencies of Kazakhstan and the Investment Countries may not all be to the equivalent standard to that of more developed Western countries. The Company has not independently verified such official statistics and other data.

In addition, certain information contained in this document is based upon the knowledge and research of the Directors using information obtained from non-official sources. This information has not been independently verified and, therefore, is subject to uncertainties due to questions regarding the completeness or reliability of such information.

#### *Accounting practice*

Accounting, auditing and financial reporting standards in Kazakhstan and the Investment Countries do not always match International Financial Reporting Standards and are not always equivalent to those applicable in more developed market economies. The quality and reliability of information available to the Company is likely to be less than when investing in Western countries. The obligation on Kazakhstan and Investment Country companies to publish financial information is also relatively limited, thus making satisfactory due diligence prior to any acquisition harder to achieve.

#### *Foreign investment restrictions*

The laws and regulations affecting foreign investment in Kazakhstan and Investment Country enterprises continue to evolve in an unpredictable manner. Laws and regulations, particularly involving taxation, foreign investment and trade, title to securities, and transfer of title that are applicable to the Company's activities can change quickly and unpredictably (sometimes with retroactive effect) in a manner far more volatile than in developed market economies. Although basic commercial laws are in place, they are often unclear or contradictory and subject to varying interpretations and may at any time be amended, modified, repealed or replaced in a manner materially adverse to the interests of the Company.

#### *Governmental authorities' powers*

Government authorities have a high degree of discretion in Kazakhstan and the Investment Countries and at times exercise their discretion arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law. Moreover, the governments of these countries also have the power under certain circumstances, by regulation or a government act, to interfere with the performance of, nullify or terminate contracts. Unlawful or arbitrary governmental actions have included withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities have also used common defects in matters surrounding share issuances and registration as pretexts for court claims and other demands to invalidate such issuances and registrations and/or to void transactions, often for political or private gain.

#### *Insurance*

The insurance industries in Kazakhstan and the Investment Countries are in an early stage of development and, accordingly, the insurance cover available is relatively limited. Many forms of insurance common in more developed countries are not yet available in Kazakhstan and the Investment Countries. Accordingly, there is a risk that losses and liabilities of companies in which the Company invests could have a materially adverse effect on their value.

### *Environmental concerns*

Significant areas of Kazakhstan and the Investment Countries are polluted and will require cleaning up. The expense of solving this problem is variously estimated and may impose commensurate costs both on the state and private enterprises.

### *Liabilities in acquired entities*

The Company may need to make investments by acquiring existing companies with undisclosed or unascertained liabilities embedded in such companies. The Company will seek to obtain appropriate contractual protection but obtaining comprehensive protection and the efficacy and enforceability of such protection (to the extent obtained) cannot be guaranteed.

### *Legal system, legislation and corporate governance*

The legal systems in Kazakhstan and the Investment Countries are less developed and reliable than those in the United States and Western Europe. Procedures in the Kazakh courts and the courts in the Investment Countries are often slow due to a shortage of resources and a heavy workload for judges and court officials. The independence of the judiciary remains problematic and parties seeking to rely on the courts in these countries for effective redress in respect of a breach of law or regulation, or in an ownership dispute, may find that it is difficult to obtain. In addition, most court decisions are not readily available to the public. Enforcement of court judgments can in practice be very difficult in Kazakhstan and the Investment Countries. All of these factors make judicial decisions in Kazakhstan and the Investment Countries difficult to predict and effective redress uncertain and delayed. Additionally, court claims may be used in furtherance of political or private objectives and court judgments are not always enforced or followed by law enforcement agencies. Further, the judicial system, judicial officials and other government officials in Kazakhstan and the Investment Countries may not be fully independent of external social, economic and political forces or remains yet to be tested.

The governments of Kazakhstan and the Investment Countries have not yet proven effective at ensuring strong corporate governance practices. Even where legislation has been enacted in this area the companies that Tau invests in may not comply with it. In addition, companies incorporated in Kazakhstan or the Investment Countries are not required to comply with the UK Combined Code on Corporate Governance or similar standards of other European Union member states or the United States.

### *Other Investment Country specific risks*

Investments in the Investment Countries may be significantly more difficult to effect and manage than in Kazakhstan. The markets are underdeveloped and often extensive governmental control is asserted over assets and business, the investment process is consequently more cumbersome, uncertain and costly.

## **Risk factors relating specifically to Kazakhstan**

### *New anti-monopoly legislation*

In July 2006, the Parliament of Kazakhstan adopted new laws which replaced the previous anti-monopoly legislation. The new law extends the definition of a dominant (monopoly) position to include up to three entities, even if they are separate and unrelated, if such entities (i) have the biggest market share, and (ii) the sum of their market share is 50 per cent. or more of the entire market. An entity having a dominant position may become subject to anti-monopoly review by the Kazakhstan Anti-Monopoly Body and, if found to be abusing its dominant position, it may be subject to fixing of prices to its products and other types of anti-monopoly restrictions and sanctions. The amended anti-monopoly legislation is new and untested in practice and no guidelines have yet been adopted on how the amended legislation will be implemented. Accordingly, it is uncertain what impact this amended legislation may have on the Company once implemented, and it is possible that this legislation could have a material adverse effect on the Company's business, financial condition and results of operations.

Under the Kazakh competition law the prior consent of the anti-monopoly body is required for, amongst other things, the acquisition of 25 per cent. of the shares or 10 per cent. of the assets (based on the book value

thereof) of a Kazakh entity. This requirement only applies where, *inter alia*, (i) the book value of the assets of entities involved in the transaction or the aggregate volume of sales of goods for the last financial year, exceeds 1.5 million times the monthly calculation index; or (ii) one of the entities involved in the transaction has a dominant position in a respective market; or (iii) the acquisition is made by a group of entities that controls the activities of the target and/or the seller.

Failure to obtain such prior consent could render such an acquisition invalid upon application by the Competition Committee to a Kazakh court. As a result some of the Company's future acquisitions of Investments may require the prior consent of the anti-monopoly body. However, the risk of the Company not obtaining any such consent is remote because the anti-monopoly body is required to give consent where a transaction does not result in the establishment or strengthening of a dominant position or of a restriction of competition. Even if the transaction is likely to restrict competition, the anti-monopoly body may still give its consent if the parties to the transaction can demonstrate that the positive effect of the transaction will exceed any negative consequences.

### **Forward-Looking Statements**

*Certain statements in this document constitute "forward-looking statements".*

Forward-looking statements include statements concerning the plans, objectives, goals, strategies and future operations and performance of the Company and the assumptions underlying these forward-looking statements. The Company uses the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "may", "will", "should", and any similar expressions to identify forward-looking statements. These statements involve risks and uncertainties, including the risks that are identified in this document, which are primarily described in this Part 1.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Company's actual results, performances or achievements to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Company will operate in the future. Among the important factors that could cause its actual results, performance or achievements to differ materially from those in the forward-looking statements include those factors set out in this Part 1 and elsewhere in this document.

These forward-looking statements speak only as at the date of this document. The Company is not obliged, and does not intend, to update or to revise any forward-looking statements, whether as a result of new information, future events or otherwise. All subsequent written or oral forward-looking statements attributable to the Company, or persons acting on behalf of the Company, are expressly qualified in their entirety by the cautionary statements contained throughout this document. As a result of these risks, uncertainties and assumptions, a prospective investor should not place undue reliance on these forward-looking statements.

### **Accounting Policy**

The Company intends to invest in companies in Kazakhstan and the Investment Countries and may in certain circumstances take controlling interests. In accordance with the Company's proposed accounting policies and IAS 27, Consolidated and Separate Financial Statements, all investee companies in which the Company has a controlling interest are required to be consolidated. There is a risk that the consolidation of investee companies may result in significant cost or delay due to the possibility of non-coterminous year ends, differing accounting principles and the involvement of different firms of auditors.

### **Taxation**

The Company may be subject to changes in, or in the interpretation of, legislation that could effect its tax liabilities. Changes from time to time in the interpretation and development of, amendments to, or guidance relating to, existing tax laws, or the introduction of new tax legislation in the Isle of Man, Kazakhstan, the

Investment Countries or in any jurisdiction in which the Company operates may have a material adverse effect on the Company and on the value of the Ordinary Shares. The taxation of an investment in the Company depends on the individual circumstances of investors.

**The foregoing factors are not exhaustive and do not purport to be a complete explanation of all the risks and significant considerations involved in investing in the Company. Prospective investors should consider carefully whether an investment in the Company is suitable for them in light of the potential risk factors, their personal circumstances and the financial resources available to them.**

## PART 2

### INFORMATION ON THE COMPANY

#### 1. Introduction

Tau Capital plc is a newly incorporated investment company established to allow investors the opportunity to realise returns through investing in both public and private businesses that are established, operating or have exposure to Kazakhstan. Although Kazakhstan focused, the Company will also seek investment opportunities in the Kyrgyz Republic, Uzbekistan, Turkmenistan, Tajikistan and Russia. These investments are proposed through the utilisation of the knowledge and skills of a highly connected and credible management team with a track record of successful investments throughout these regions.

Spencer House Compass Capital Limited will act as the manager to the Company and will be responsible for identifying, structuring and monitoring investments. The Manager will delegate its responsibilities to SHCM and CAM, the Investment Advisers, who together have experience in both investment and operational activities in Kazakhstan and the wider region since the mid 1990s, as well as the structuring of private company investments and asset management. The Investment Advisers will target a broad range of sectors, including oil and gas exploration and production, metals and mining, transport and logistics, consumer-related, telecommunications, financial services and business services.

In the opinion of the Manager and the Investment Advisers, the post-Soviet economies in Kazakhstan and the Investment Countries have developed to the point where they offer an attractive environment for private equity investing and investments in listed entities, on which the Company intends to capitalise. For further details of the background to investment opportunities in Kazakhstan and the Investment Countries, please refer to Part 3 of this document.

The Cornerstone Investors, comprising VISOR, J Rothschild Group, Numis, Alliance Group and Affiliates of SHCM, will together invest US\$42.1 million in the Company on Admission.

Going forward, the Company may seek a secondary listing on KASE as a means of further integrating the Fund into Kazakhstan and improving liquidity in the Ordinary Shares.

#### 2. The Investment Strategy

##### 2.1 *Investment Approach*

The Company intends to invest in public companies with substantial operating assets in Kazakhstan or in the Investment Countries (or whose business has exposure to Kazakhstan or in the Investment Countries), who have securities listed on the KASE or other stock exchanges or over-the-counter markets. These investments may be in combination with additional debt or equity-related financings, and potentially in collaboration with other financial and/or strategic investors.

In addition, the Company aims to provide equity and equity-related investment capital to Private Companies operating in or with business exposure to Kazakhstan and further in the Investment Countries (or whose primary business or substantial assets are in Kazakhstan or the Investment Countries) who are seeking capital for growth and development, consolidation or acquisition, or as a pre-IPO round of financing. Investments may also be made in Special Situations if the Manager considers the investment to be of a type in keeping with the aims of the Fund.

A typical target Public Equity, Private Company and Special Situation should demonstrate all or substantially all of the following characteristics:

- attractive valuation;
- credible management;
- growth potential; and
- strong underlying assets.

### *Public Equity Investments*

The Company expects to identify opportunities through the experience and the presence of CAM, its parent, VISOR, and other associates in Kazakhstan and the Investment Countries. Specifically, CAM will conduct high quality company research, visit the management teams and operating facilities locally of such Public Equities and exploit wide trading spreads or price differentials between prices on international stock exchanges and the KASE for the same issuers.

When investing in Public Equities, the Company will review potential investments by considering the underlying fundamental strengths within the relevant businesses. The Fund will seek to invest in a core portfolio of approximately 10 investments with, in the Manager's view, the greatest medium term (one to two years) value creation potential. These core positions will typically be between 5 per cent. and 15 per cent. of the NAV of the Fund. The Manager will seek to select "national champions" within Kazakhstan and the Investment Countries or companies with strong positions or strong growth potential in their respective sectors. Whilst reviewing the investments available to it, the Company will seek to deploy the balance of funds available to it in shorter-term (less than one year) tactical holdings, typically each up to 5 per cent. of the Fund NAV.

CAM will also consider investment opportunities arising from Investments by the Fund in Private Companies. It is likely that if the Fund invested in a Private Company prior to that Private Company listing on a stock market, that the Fund would retain a part of its investment in the listed entity going forward.

### *Private Companies Investments and Special Situations*

The Company intends generally to take equity stakes of greater than 10 per cent. in each Private Company and may seek to secure board representation where it considers that the Company and/or an investee company would benefit from such an appointment. The Company may take controlling positions in investee companies from time to time.

The Investment Advisers believe that the Company is well-positioned to originate investment opportunities in Private Companies in Kazakhstan and the Investment Countries. The Company has a strong competitive advantage by being able to leverage the existing strong local relationships and experience of VISOR, the entity responsible for establishing CAM in 2004, in sourcing attractive deals in Kazakhstan and the Investment Countries. The Investment Advisers intend to identify investment opportunities in Private Companies relying on a combination of approaches, including:

- the Company's relationships with CAM, VISOR, SHCM and the J Rothschild Group; and
- by sourcing deals from local investment banks, brokerages and commercial banks in Kazakhstan and the Investment Countries with whom the Investment Advisers have established relationships.

The investments targeted by the Fund will aim to support rapidly-growing Private Companies to increase market-share, improve productivity and achieve long-term shareholder value. The Fund will also aim to invest in pre-IPO companies through the provision of venture capital, equity or equity-type instruments (such as preference shares or convertible notes). The Fund would seek to invest in credible international and local management teams.

Whenever it is possible, the Manager will seek to invest in Private Companies with a potential to become platforms on which to build businesses on a regional scale with operations in some or all of Kazakhstan and the Investment Countries.

It is anticipated that each equity investment will typically be between 5 per cent. and 15 per cent. of the NAV of the Fund which may be supplemented by co-investment with third party investors, which is expected to give a portfolio of six to eight individual investments being managed at any given time.

Special Situations may be presented to the Fund from time to time. These Investments cannot be described as either Public Equities Investments or Private Companies Investments. They would

typically include bridge equity financing and recapitalisation situations and could require changes to the management teams to effectively take the business forward. Each equity investment in Special Situations would typically have a value of between 5 per cent. and 15 per cent. of the NAV of the Fund. A Special Situation should demonstrate all or substantially all of the characteristics necessary for an investment in a Private Company and be of a size and type that the Investment Advisers consider appropriate.

The initial Investments made by the Fund will nearly all be made in Public Equities, pending identification, negotiation and execution of Investments in Private Companies and/or Special Situations. Consequently, the Fund may need to realise its Investments in Public Equities in order to generate the necessary readily available funds to invest in Private Companies and/or Special Situations, which may potentially affect the timing, nature or size of such Investments in Private Companies and/or Special Situations.

## 2.2 *Targeted Sectors*

The Company expects to benefit from the experience of the Investment Advisers in investing in Kazakhstan and the Investment Countries. The Manager and the Investment Advisers believe that certain sectors of Kazakhstan and each of the Investment Countries' economies provide attractive opportunities for investors in the medium-term. These sectors include oil and gas exploration and production, metals and mining, transport and logistics, consumer-related, telecommunications, financial services and business services as the opportunities present themselves. For further information on the key reasons why the Manager and the Investment Advisers believe these sectors are poised for significant growth in Kazakhstan and the Investment Countries, please refer to Part 3 of this document.

## 2.3 *Management Style*

### *Public Companies*

The Investment Advisers will be responsible for the selection and execution of investment opportunities which are available to the Fund, followed by a continued obligation to maximise value by active risk management and identifying suitable exits for realisation.

The Investment Advisers will use their skill and knowledge in analysing the markets to identify investment positions and special circumstances which are or are likely to affect a company's expected earnings and potential for growth. They will also produce research and analysis that provides to the Manager an understanding of the intrinsic value of an individual company and its assets through a comparison of its financial information as against its share price. This information is likely to include technical review of assets and operations, financial modelling and information gained through the development of relationships with senior managers and personnel. In addition, the Investment Advisers will provide a wider understanding of the economic environment in which the company operates with useful comparisons to other companies in the particular area together with industry and market trends.

The Investment Advisers will monitor and manage risks to the Public Equities Investments. The Company may also use customised over-the-counter derivative instruments sold by brokers and other financial institutions to assist with risk management. These products may achieve a more precise investment exposure for the Fund's portfolio than more generally traded instruments, such as shares. In addition, these products may permit the creation of asymmetric performance profiles for certain of the Fund's investments, for example with a long option, where an equal movement in the market price of an underlying investment instrument does not necessarily result in an equal increase or decrease in the value of the investment.

### *Private Companies and Special Situations*

The Company expects to have an entirely managed portfolio of Investments in Private Companies. The Investment Advisers intend to recommend to the Company to invest in Private Companies in

which the Investment Advisers will have the ability to provide support to management and operations in order to compound the value of its capital investment. With an active, “on-the-ground” team of investment and operations professionals, the Investment Advisers expect to work closely with local managers and owners to generate and extract this value. The Company will acquire Investments structured to ensure that management support is accepted and utilised, including, but not limited to, the appointment of one or more of its employees or designees to serve on the board of directors of such Portfolio Companies as the Company feels appropriate.

The Investment Advisers are expected to take leadership over the monitoring phase of Investments in Private Companies. The Investment Advisers will actively monitor those Portfolio Companies in which the Fund has invested. The Investment Advisers will assist the Portfolio Companies’ management, leveraging its experience in order to create value prior to the final realisation of an Investment.

## 2.4 *Realisation of Returns*

### *General*

The Company expects to derive returns on Investments principally through long-term capital gains and/or the payment of dividends by Portfolio Companies. The primary ways in which the Company expects to realise these returns include (a) the sale or merger of a Portfolio Company to either domestic companies or leading multi-nationals, (b) the sale of securities of a Portfolio Company by means of public or private offerings and (c) the disposal of Public Equities Investments through the stock exchanges on which they are listed. The Manager and the Investment Advisers believe that the Kazakhstan marketplace in particular has demonstrated an increasing ability to generate liquidity for financial investors. At the same time, mergers and acquisitions activity in Kazakhstan has grown remarkably, driven by the desire of Western strategic investors to tap the Kazakhstan domestic market. As discussed in paragraph 5 below, the Investment Advisers operate and advise through a team of individuals. The members of the team shall liaise closely with each other to properly identify investment and exit opportunities as they may occur. Similarly, the team will prepare a divestment recommendation to the Investment Advisers for approval, highlighting the current and future conditions of the portfolio company and advising on the basis for a divestment decision.

### *Public Equities*

The Fund’s objective is to maximise capital appreciation. Following the acquisition of a Public Equities Investment, the Investment Advisers will continue to conduct extensive research and monitoring of that Investment. Importance will be placed upon the timing of any disposal which should follow a thorough review of market conditions and those reports and sources that are available to investors. Should the Manager consider that the capital appreciation of a particular Public Equities Investment has reached its peak or is likely to or has begun to decline, then the Investment Advisers will consider the sale of that Investment.

### *Private Companies and Special Situations*

The Company believes that its typical investment holding period should provide sufficient time for investee companies to adequately benefit from the capital and operational improvements resulting from the Company’s investment and the subsequent involvement of the Investment Advisers in Portfolio Companies’ affairs. The determination of the targeted holding period shall be made at the time of investment, and reviewed on a regular basis by the Investment Advisers but it is expected that this will typically be between one to three years.

## **3. Investment Policies**

### **3.1 *Public Equity and Private Companies Investment Policy***

The Company’s investment approach is intended to deliver investors a full range of investment opportunities with not less than 50 per cent. of its NAV being invested in Kazakhstan and the balance

being invested in the Investment Countries. It is proposed that initially most of the Fund will be invested in Public Equities. As suitable Private Companies Investments are identified and agreements progressed, if funds are not readily available then Public Equities Investments will be liquidated so that a more balanced fund can be achieved. The Fund will aim to invest not less than 50 per cent. of its asset allocation in Public Equities and the remainder in Private Companies and Special Situations.

#### *Public Equities*

The Company will look to acquire minority stakes in public companies trading on the Kazakhstan Stock Exchange or any other stock exchange or are otherwise traded on an over-the-counter market in Kazakhstan and the Investment Countries. No restriction will be placed upon the size of the public company in which the Public Equities will be taken or upon the resulting level of the holding provided that any such investment complies with the Funds general investment policy below. Emphasis will be placed upon the research and advice provided by the Investment Advisers to secure medium term capital (one to two years) appreciation without incurring excessive risk. These positions will typically be between 5 per cent. and 15 per cent. of the Fund's NAV. Short term (less than one year) Investments will inevitably be for smaller amounts typically up to 5 per cent. of the Fund's NAV and are likely to be traded on a more frequent basis.

#### *Private Companies and Special Situations*

The Company will seek to secure substantial minority stakes and occasionally controlling stakes in portfolio Private Companies as well as appropriate board representation. The Fund intends generally to take equity stakes of greater than 10 per cent. in each Portfolio Company. It is anticipated that each equity investment will typically be between 5 per cent. and 15 per cent. of the NAV of the Fund, which may be supplemented by co-investment with third party investors, which is expected to give a portfolio of six to eight individual investments being managed at any given time.

Special Situations should demonstrate substantially the same characteristics as investments in Private Companies. It is anticipated that each equity investment in a Special Situation will typically be between 5 per cent. and 15 per cent. of the NAV of the Fund.

### **3.2 General Policies**

In advising the Fund on investments in (a) entities organised under the laws of, or with a principal office and domicile in, Kazakhstan and/or the Investment Countries, or (b) any other entity, the primary portion of its assets, operations, businesses or revenues of which is located in, or derived from, Kazakhstan and/or the Investment Countries, the Manager and the Investment Advisers shall recognise the Fund's investment restrictions in Kazakhstan and/or the Investment Countries, which are as follows:

- the Fund shall not invest more than 15 per cent. of the NAV of the Fund in a single company or single affiliated group of companies; and
- the Fund shall not invest more than 30 per cent. of the NAV of the Fund in any one Sector,

excluding, in each case, any investments in wholly owned subsidiaries of the Fund used to invest in the portfolio companies.

Any proposed changes to the Investment Policy must be approved by a meeting of the Shareholders.

In the event that the Manager or the Investment Advisers become aware of a breach of the Investment Policy, then they shall forthwith upon becoming aware of the same inform the Board and, in consultation with the Board, seek to restore compliance with the Investment Policy as soon as reasonably practicable, having due regard to the interests of the Company and the Fund.

The Fund would at all times comply with its internal risk management policies, as well as complying with applicable regulations on investments in Public Equities, Private Companies and Special Situations in Kazakhstan and the relevant Investment Country.

### 3.3 *Investment Valuation Policy*

The portfolio Investments of the Company will be initially recognised at cost as of the date of investment. The Directors shall procure that the portfolio Investments are re-measured at fair value at least every six months using the various methods described below and the Manager shall provide an estimate of the NAV to the Directors on a monthly basis. The monthly estimate provided by the Manager will be reviewed and agreed to by both Richard Horlick and Almas Chukin as two directors of the Company before publication. Unrealised gains and losses arising from the revaluation of investments at the year-end will be taken directly to the income statement. As the Company will generally seek to take equity stakes of less than 50 per cent., it is anticipated that the investments will not be subject to IAS 27 (Consolidated and Separate Financial Statements), and that the investments will be accounted for in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). IAS 39 requires investments to be held at fair value, or at cost less provision for impairment in value where no reasonable range of fair values can be determined. Fair value will be determined by the Directors as follows:

- *Securities quoted or traded on a recognised stock exchange or other regulated market (i.e. Public Equities)* – will be valued by reference to the last available bid price and the size of the holding provided, quoted on an active market. Securities which are quoted but not marketable due to securities law restrictions will be valued at an appropriate discount rate from the public market price.
- *Unquoted securities (i.e. Private Companies and Special Situations)* – will be valued based on the realisation value which will be estimated by the Directors with prudence and good faith. The Directors will take into account the International Private Equity and Venture Capital Valuation Guidelines, published by the IPEV Board, with particular consideration of the following factors:
  - Investments will be reported at fair value at the reporting date; fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in arm's length transaction;
  - In estimating fair value for an investment, the Directors will apply a methodology that is appropriate in light of the nature, facts and circumstances of the Investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations; and
  - An appropriate methodology will incorporate available information about all factors that are likely materially to affect the fair value of the Investment. The valuation methodologies will be applied consistently from period to period, except where a change would result in a more accurate estimate of the fair value of the Investment (which may be up or down). Any changes in valuation methodologies will be clearly stated in the annual report.

Listed below are the most widely used methodologies:

- Cost of recent investment;
- Earnings multiple;
- Net assets;
- Discounted cash-flows; and
- Industry valuation benchmarks.

In assessing which methodology is appropriate, the Directors will be predisposed towards those methodologies that draw on market-based measures of risk and return. Methodologies utilising discounted cash-flows and industry benchmarks will rarely be used in isolation of the market-based methodologies and then only with extreme caution. These methodologies however, may be useful as a cross-check of values estimated using the market-based methodologies.

#### **4. The Structure**

The Company is incorporated in the Isle of Man. The Company has (and will at all times have) a majority of non-UK based Directors and is (and will at all times be) managed and controlled from the Isle of Man. The Company has established the Fund, a limited partnership registered in the Cayman Islands, to undertake its investments. The General Partner of the Fund is a wholly owned subsidiary of the Company. The Fund has two limited partners, the Company and the Carried Interest Partner.

The Fund intends to adopt a group structure often employed by overseas owners of investments in Kazakhstan and the Investment Countries. The Company expects the Investments of the Fund to be owned directly or through a series of special purpose companies incorporated in a jurisdiction which enjoys a favourable double tax treaty with the relevant country involved, such as The Netherlands for Investments in Kazakhstan and Cyprus for Investments in Russia.

The Fund, acting through the General Partner, will be advised by the Manager pursuant to the terms of the Management Agreement. The Manager will delegate its duties to the Investment Advisers of which CAM has a representative office in Kazakhstan.

The Manager is owned by CAM (as to 50 per cent.) and SHCM (as to 50 per cent.). In addition, CAM, SHCM and certain of the Senior Managers are limited partners in the Carried Interest Partner, which is entitled to a carried interest on returns generated by the Fund (see paragraph 13 of this Part 2).

#### **5. Investment Process**

Under the terms of the Investment Advisory Agreements, the Investment Advisers will have the initial responsibility for identifying and evaluating potential Investments which appear to be appropriate for the Fund having regard to the Investment Policy. The Manager intends to rely on the team of the Investment Advisers, led by Mikhail Derkavski, or a person appointed by CAM, in relation to Investments in Public Equities and Alexander Bezugly and Almas Chukin, or persons appointed by SHCM and CAM, respectively, in relation to Private Companies Investments and Special Situations, to process, structure and execute each Investment, while ensuring that the long term operating objectives of the Company are reflected in the investment terms. Valuation of potential portfolio Investments shall be based on traditional valuation methodologies, including discounted cash flow analysis, comparable companies' analysis, comparable transactions analysis, and other methodologies. The Investment Advisers intend to present due diligence findings and investment recommendations to the Manager as to whether to proceed with the relevant Investment. The Manager shall then instruct the General Partner to enter into the Investments.

Subject to the restrictions set out by the Investment Policies, the Manager may at its discretion approach third party investors with a view to co-investment opportunities should it consider it to be in the best interest of the Company.

Should a private company in which the Company has invested become a public company or *vice versa*, the Investment shall be re-valued using the Company's valuation policy at the date of the change. The Investment Advisers shall consider the extent of any disposal (if required) at that point and advise the Manager and the Company accordingly.

The Manager shall present a quarterly report on all Investments undertaken to the Board for its consideration and ratification. To the extent that the Board does not ratify any Investment, the Investment Advisers shall assist the General Partner in the disposal of such Investments as soon as reasonably practicable.

#### **6. Proposed Investments**

The Investment Advisers have identified and, in most cases, initiated discussions with a number of potential Private Companies which the Investment Advisers believe fall within the Company's investment criteria. There is, however, no guarantee that any of these investment opportunities will be completed by the Fund.

In respect of Investments in Public Equities, while the Investment Advisers have also identified potential Public Equities for investment, the Company is unable to disclose any specific details of these investments due to such information potentially being price sensitive.

The Placing is not conditional upon the Company or the Fund making an investment in any of the above investment opportunities.

## **7. The Board**

### ***Members of the Board***

The Board of the Company comprises five Directors. Brief biographies of the Directors are set out below:

#### *Philip Lambert, Chairman and Independent Non-Executive Director*

Philip is the Chairman of the Investment Committee of the ABP and a member of the Supervisory Board of Robeco. Throughout his career Philip has been extensively involved in the European pension industry in Europe. He was a member of the Pension Managers Advisory Committee to the Board of Directors of the New York Stock Exchange. Philip was a member of the Investment Committee of the National Association of Pension Funds in the UK. He was a member of the Advisory Committee to the ABN AMRO Investment Funds and is now a member of the Investment Committee of the ABN AMRO Pension Fund. In the past Philip Lambert has taken on several external appointments. He was chairman of the Dutch National Association of Company Pension Funds (OPF) and chairman of the Dutch Real Estate Board (ROZ). During the period 1991 to 1994 he was chairman of the European Federation for Retirement Provision (EFRP).

Philip started his career with Unilever in 1975. In 1983 he was appointed Managing Director of the Dutch Unilever Pension Fund. In 1993 he was appointed Pension Officer and Head of Corporate Pensions Division of Unilever with responsibility for pension schemes and pension fund investments worldwide. Philip took a civil law degree at Leiden University in 1970. Philip is a native speaker of Dutch and fluent English speaker.

#### *Richard Horlick, Non-Executive Director*

Richard is the CEO and a founding partner of Spencer House Capital Management, LLP. Prior to this, he was a main board director of Schroders plc where he was head of investments and a member of the General Management Committee. From 1994 to 2002, Richard held a number of positions at Fidelity. He was president and CEO of Fidelity Management Trust Co the institutional investment arm of Fidelity in the US and also the Trust Bank for the Fidelity Mutual funds. Richard was previously responsible for the investment and development of Fidelity's institutional business outside the US, and was a member of the operating committee of Fidelity International. Between 1984 and 1994, he was a director and portfolio manager at Newton Investment Management. Prior to this, he was a corporate finance executive specialising in M&A at Samuel Montagu & Co. Richard graduated from Cambridge University with a Masters degree in Modern History. Richard is a native English speaker.

#### *Almas Chukin, Non-Executive Director*

Almas is the Chairman of Compass Asset Management and a partner of VISOR. He has been involved in the economic affairs of Central Asia for the last 20 years. Almas has held various government positions in the Kyrgyz Republic including his roles at the Ministry of Finance (Head of the Industrial Department), Ministry of Foreign Affairs (Ambassador to the United States), and the State Property Fund (Deputy Chairman) where he was responsible for various aspects of governmental strategy from internal policy issues to cooperation with the International Monetary Fund and the World Bank. Since leaving government and entering the private sector in 1997, Almas has worked primarily in the financial sector of Kazakhstan and has played a pivotal role in the development of this part of the economy. While his main focus has been on private equity transactions, Almas was also actively involved in the public securities market during his tenure as an Managing Director of a major broker-dealer. His experience also includes being Deputy Chairman and CFO of Halyk Bank of Kazakhstan, the country's largest retail bank and Chairman of Temir Bank. Almas is a graduate of Moscow State University (Lomonosov) economic faculty with a B.A. in 1983 and a Ph.D. in 1986. Almas is a native speaker of Russian and Kyrgyz languages and is fluent in English and Kazakh.

#### *Robert Brown, III, Independent Non-Executive Director*

Robert is the Chairman of Rambler Media Limited, a leading integrated media company providing services to the global Russian-speaking community whose shares are listed on AIM with a current market value of

approximately US\$700 million. He is also a trustee and the Vice Chairman of the Investment Committee of the US\$1.0 billion endowment of Carnegie-Mellon University, and a director of several early-stage Russian businesses. Robert has been involved in investment banking and private equity activities in the former Soviet Union since 1992. From 1995 to 1998, he was the Managing Director and Head of Corporate Finance for Creditanstalt International Advisors, a New York-based subsidiary of Creditanstalt Investment Bank. Robert established the investment banking operations for CAIB in Russia through the acquisition of Grant Financial Group, a leading Russian securities broker. Prior to joining CAIB, Robert worked from 1978 to 1994, including 10 years as a Managing Director, at Lehman Brothers in New York City. He was Co-Head of the bank's Public Finance Division between 1990 and 1994. He led the development of Lehman Brothers' business in Russia during the period 1992 to 1994. Between 1973 and 1978, Robert was CFO of Virginia Housing Development Authority. Robert graduated with a B.S. in Economics from Carnegie-Mellon University in 1969 and an MPA from University of Michigan in 1971. Robert is a native English speaker and conversant in French.

*Philip Scales, Independent Non-Executive Director and Company Secretary*

Philip Scales is Managing Director of IOMA Fund and Investment Management Limited. Prior to this, Philip was the Managing Director of Northern Trust International Fund Administration Services (Isle of Man) Limited. Philip has over 30 years' experience of working offshore, primarily in corporate and mutual fund administration. A director of a number of listed companies, Philip is a Fellow of the Institute of Chartered Secretaries and Administrators. Philip is a native English speaker.

***Directors' Interests***

The interests (all of which are beneficial) of the Directors and their immediate families and, so far as is known to the Directors or could with reasonable diligence be ascertained by them, persons connected with them (within the meaning of section 346 of the Act) which if the connected person were a Director would otherwise be disclosed pursuant to this paragraph, in the share capital of the Company as at the date of this document and on Admission, are or are expected to be as follows:

<i>Director</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital*</i>
Philip Lambert	–	–	500,000	0.2
Richard Horlick	–	–	5,000,000	1.99
Almas Chukin	–	–	–	–
Robert Brown, III	–	–	500,000	0.2
Philip Scales	–	–	–	–

\* On the basis that the Placing is fully subscribed.

**8. The Manager**

The Manager is a newly incorporated exempted company with limited liability incorporated under the laws of the Cayman Islands with four directors, namely Mikhail Derkavski, Richard Ford and two independent directors Ramona Bowry and Alan Tooker (who are also the directors of the General Partner). The Manager is not required to be authorised by the Cayman Islands Monetary Authority for the performance of its duties under the Management Agreement (which have been delegated to the Investment Advisers). The ordinary shares of the Manager are owned by CAM (as to 50 per cent.) and SHCM (as to 50 per cent.). Accordingly, the Manager will, following Admission, be indirectly interested in 35,100,000 Ordinary Shares by reference to the interests of VISOR, J Rothschild Group and Affiliates of SHCM as Cornerstone Investors.

The Manager is responsible for identifying and developing investment opportunities for the Fund, undertaking due diligence on potential Investments, assisting in the negotiation of appropriate acquisition terms (within guidelines laid down by the Board and the Investment Policy), entering into Public Equities Investments, Private Companies Investments and Special Situations on behalf of the Company and monitoring the performance of the Fund's Investments. The Manager has delegated these duties to the

Investment Advisers who have assembled a team consisting of seven key individuals, namely Aidan Karibjanov, Mikhail Derkavski, Alexander Bezugly, Nikolay Varenko, Richard Horlick, Almas Chukin and Richard Ford (together the “Management Team”) who will be responsible for providing investment advice to the Company and the Fund. The Management Team has over 15 years of investment experience in Kazakhstan and the Investment Countries. This experience includes identifying and evaluating acquisition and exit opportunities, executing deals and managing investments. The biographies for Ramona Bowry and Alan Tooker are included in paragraph 10 below. The biographies for Richard Horlick and Almas Chukin (also directors of the Company) can be found in paragraph 7 above and the biographies for the remaining members of the Management Team are as follows:

#### *Aidan Karibjanov*

Aidan is the founder of VISOR. Prior to that, he was one of the leading investment bankers in Kazakhstan with a strong background in strategic privatizations, structured finance transactions and securities placements for major Kazakh enterprises. Aidan successfully completed the privatization and flotation of Kazakhtelecom and was involved in the establishment of GSM Kazakhstan, a leading mobile operator. Between 1995 and 2000, Aidan managed the investment banking and brokerage business at Global Kazkommerts Securities, Kazkommerts Securities and Kazkommerts Bank. Aidan served as the Finance Managing Director of KazMunaiGas, a national state-owned oil and gas producer. He obtained a Masters degree in International Business from the Moscow Institute of International Relations. Aidan is a native speaker of Kazakh and Russian and fluent in English and French.

#### *Mikhail Derkavski*

Mikhail Derkavski, CFA is the CEO, CIO and Executive Director of Compass Asset Management responsible for managing the company. Mikhail has over 18 years investment experience. Prior to joining Compass, he was Research Director at RCM Global Investors (“RCM”), the asset management arm of Allianz, responsible for research on their Global Portfolios. Mikhail developed, launched and managed RCM’s first hedge fund. He further developed and implemented a company-wide business strategy as a member of the Global Research Counsel and Equity Management Group. Mikhail began his career at Kidder Peabody in Seattle and San Francisco where he executed trades on NYSE and NASDAQ as an institutional equity trader. This was followed by his role as a research analyst/associate portfolio manager at Wentworth, Hauser & Violich in San Francisco. At WHV, he managed small cap portfolios and was actively involved in launching and managing international funds. Mikhail has an MBA from Seattle Pacific University and a BS in Econometrics from Moscow Timiryazev Academy. Mikhail is a native Russian speaker and fluent in English.

#### *Alexander Bezugly*

Alexander is the Head of Private Equity and Special Situations at the J Rothschild Group. He is involved in the execution and origination of broadly defined private equity transactions for the J Rothschild Group and has been developing private equity opportunities for the J Rothschild Group in Kazakhstan. Alexander has over seven years of investment experience. Prior to joining the J Rothschild Group, he was an Investment Analyst for BCAM, a European equity hedge fund, responsible for investments in a number of sectors. Alexander worked at Lehman Brothers in London from 1998 to 2002 starting in the M&A Telecom Division and moving to the Private Equity Division. Alexander began his professional career within Corporate Finance at Creditanstalt Investment Bank focusing on Russia and Eastern Europe. He holds a B.A with Honors in Economics from the Moscow State University (Lomonosov) in 1995 and was a Soros scholar at the London School of Economics and Political Science. Alexander is a native Russian speaker and fluent in English.

#### *Richard Ford*

Richard is the COO of Spencer House Capital Management, LLP. Prior to joining SHCM in November 2006, Richard was most recently Managing Partner of ORN Capital. Richard began his career as a barrister before joining Global Asset Management, London in 1994 as Head of Group Legal and Compliance. In 1999, Richard joined Fidelity International and spent three years based in Bermuda as a Director and Head of

Corporate Headquarters. Richard graduated from the London School of Economics and Political Science with a B.Sc. Economics (Honors) and studied law at the University of Westminster (CPE) and Inns of Court School of Law (BUC). Richard is a native English speaker.

#### *Nikolay Varenko*

Nikolay is a partner at VISOR which he co-founded in 2001. For the last fifteen years, Nikolay has been involved in investment banking and private equity activities across a wide number of sectors in Kazakhstan, Russia and Kyrgyz Republic. Nikolay started his career with Deloitte & Touche in early 1990s in Moscow. He also served on Russia's State Privatisation Committee. In 1997 to 2000, Nikolay led the corporate finance business of Kazkommerts Securities, a subsidiary of Kazkommerts Bank. Nikolay has an MBA (with distinction) from the Oxford University Business School and a Masters degree in International Accounting and Finance from the Moscow Institute of International Relations. Nikolay is a native Russian speaker and is fluent in English, Spanish and French.

## **9. The Investment Advisers**

### **9.1 CAM**

CAM is a limited liability company incorporated in Kazakhstan. CAM is not required to be authorised by the Cayman Islands Monetary Authority for the performance of its duties under the CAM Investment Advisory Agreement. The ordinary shares of CAM are owned as to 100 per cent. by VISOR. CAM provides asset management services to investors in Kazakhstan primarily through its representative office in Almaty.

CAM was established by VISOR in 2004, and since this time CAM and its associates have become a leading asset management business in Kazakhstan. CAM and its associates currently have a substantial market share of the emerging domestic mutual fund market in Kazakhstan. Mikhail Derkavski currently manages the following mutual funds in Kazakhstan:

- Compass Portfolio, an aggressive growth portfolio with high risk tolerance;
- Compass Balanced, a high return portfolio limiting market risk via hedging; and
- Compass Interval, a stable income fund with low risk.

CAM and its associates have both public and private equity execution skills combined with a strong local presence in Kazakhstan and the Investment Countries. CAM's assets under management amount to over US\$50 million as at 31 March 2007.

### **9.2 SHCM**

Spencer House Capital Management, LLP is a limited liability partnership established by Lord Jacob Rothschild and Richard Horlick, and incorporated in England and Wales on 9 January 2006. SHCM received authorisation from the FSA on 1 September 2006 to undertake investment management activities on behalf of intermediate customers and market counterparties. SHCM's client focus is on institutions, including pension plans, endowments, government agencies, family offices and third party distributors.

The majority of the partnership interests in SHCM are owned by Lord Jacob Rothschild and Richard Horlick. Lord Jacob Rothschild is Chairman of SHCM. Richard Horlick (details of whom are set out in paragraph 7 above), is CEO of SHCM.

SHCM manages third-party assets across a broad range of investment strategies and notable international asset management expertise. It currently offers the following investment products to third party investors:

- Global Equity Fund, an absolute return fund;
- European Equity Fund, an absolute return fund;
- Asian Equity Fund, an absolute return fund;

- Japanese Equity Fund, an absolute return fund; and
- Global Forex Fund, a long-short forex fund.

SHCM's assets under management amount to over US\$300 million as at 31 March 2007. SHCM has offices in London and Singapore with 18 employees.

### 9.3 *General*

Each of the Investment Advisers has entered into investment advisory agreements with the Manager on substantially the same terms.

The Investment Advisers are responsible for the initial identification and development of investment opportunities for the Fund having regard to the Company's Investment Policy. The Manager intends to rely on the team assembled by the Investment Advisers, led by Mikhail Derkavski, or a person appointed by CAM, for Public Equities Investments and Alexander Bezugly and Almas Chukin, or persons appointed by SHCM and CAM, respectively for Private Companies Investments, to process, structure and execute each investment, while ensuring that the long term operating objectives of the Company are reflected in the investment terms of any acquisition. The Investment Advisers will receive compensation for their services under the Investment Advisory Agreements from the Manager, who will pay for such services from the management fee received under the Management Agreement. The Investment Advisory Agreements have an initial term of five years from the date of Admission and can be terminated by the Manager in the event of any fraudulent act on the part of the relevant Investment Adviser(s) or, after the expiry of the initial term, upon either party giving to the other not less than two years notice to terminate.

### 9.4 *Allocation of Investment Opportunities by the Manager*

The Manager, its officers and other personnel are involved in other financial, investment or professional activities, which may on occasion give rise to conflicts of interest with the Company. In particular, they provide investment management, investment advice and other services to the Managed Accounts which have similar investment strategies to the Company. The Manager will have regard to its obligations under the Management Agreement to act in the best interests of the Company, so far as is practicable having regard to its obligations to other clients, when potential conflicts of interest arise. The Manager will use all reasonable efforts to ensure that the Company has the opportunity to participate in potential investments it identifies that fall within the investment objective and strategies of the Company.

The Manager will follow trade allocation procedures set forth in the Management Agreement and in its internal guidelines that require the equitable allocation of investment and disposal opportunities for a particular security among all participating clients of the Manager. The internal guidelines of the Manager on allocation of investment and disposal opportunities shall be subject to modification or amendment from time to time with the prior written consent of the Board. The Manager may from time to time aggregate orders for the Company and one or more Managed Accounts when that aggregation results in the best price and execution, provided that each client's purchase of that particular security is consistent with its investment objectives and guidelines. Neither the Company nor any Managed Account will be favoured in connection with such participation. All trade allocations carried out by the Manager will be reviewed on a quarterly basis by the Board.

Subject to the above, the Company and the Manager may place orders and otherwise transact business with or through SHCM or CAM or any of their Affiliates.

SHCM, CAM or any of their Affiliates may deal in the Ordinary Shares as principal or on an agency cross basis and retain any benefits so arising.

The Manager may, in the course of its business, have conflicts of interests with the Company. Should a conflict of interest arise, the Directors and the Manager will use their best endeavours to ensure that it is resolved fairly.

In allocating investment opportunities between clients, the Manager will at all times act in the best interests of its clients (including the Company) and will allocate investment opportunities in a manner it considers fair and reasonable.

Certain interests of the Directors in the Company are set out in paragraph 8 of Part 5 of this document under the heading “Directors’ and Other Interests”, and the Articles specify circumstances in which a Director may or may not vote in relation to a matter in which he may be interested, as described in the section headed “Memorandum and Articles of Association”, which is also contained in paragraph 7 of Part 5 of this document.

The allocation policy of CAM is that all investment opportunities are to be offered, and if accepted, allocated on a *pro rata* basis across all funds, vehicles and accounts managed by CAM. Further, VISOR has agreed to offer the right of first refusal to CAM on all investment opportunities which are appropriate to offer to third party investors. SHCM allocates investment opportunities on FSA principles such that allocation is fair to all relevant customers.

## **10. The General Partner**

Tau Cayman Limited, an exempted company incorporated with limited liability in the Cayman Islands, is the general partner of the Fund. The General Partner has the ability to act as general partner to one or more limited partnerships. The General Partner is a wholly owned subsidiary of the Company. It has appointed Mikhail Derkavski and Richard Ford as directors, as well as two independent Cayman Islands directors, Ramona Bowry and Alan Tooker, pursuant to a directors services agreement with A.R.C. Directors Limited.

The General Partner is, pursuant to the terms of the Fund Partnership Agreement, responsible for the day-to-day management of the Fund, but it has the power to delegate this duty to the Manager. The General Partner is also subject to the oversight of an advisory board, which is the Board, save in respect of the determination of any investment recommendation, when the advisory board is the Manager.

The biographies for Mikhail Derkavski and Richard Ford are set out in paragraph 8 above and the biographies for the other directors of the General Partner are as follows:

### ***Ramona Bowry***

Ramona Bowry is Director and Company Secretary of A.R.C. Directors Limited, a Caymans-domiciled company providing directorships to offshore hedge funds. Between March 2004 and June 2005 Ms Bowry was Director of Business Development at DPM Europe Limited, responsible for promoting DPM Mellon’s administration, risk and transparency services to the European hedge fund industry. Between August 2001 and February 2004 Ms Bowry was a risk analyst at Bright Capital Limited, during which time she acquired a sophisticated knowledge and experience of hedge fund risk management techniques, including the application of quantitative analysis and software tools such as the Sungard Panorama Risk system. Prior to her time at Bright Capital, Ms Bowry was an investment funds officer at Norwich Union, where she administered and valued in-house investment funds. Ms Bowry began her career in the financial services industry as a pension fund administrator at Alexander Forbes in 2000 after earning a BSC in Economics and History from University College London.

### ***Alan Tooker***

Alan Tooker is Managing Director of A.R.C. Directors Limited. He has over thirty years experience in the hedge fund and futures industry and his previous positions include Managing Director of DPM Europe Limited from 2003 to 2005, Chief Operating Officer of Bright Capital Limited from 1999 to 2003, Finance Director and Compliance Officer of Sabre Fund Management Limited, from 1998 to 1999, and Finance Director and Compliance Officer of IG Index PLC from 1987 to 1998. Prior to joining IG Index PLC, Mr. Tooker was Finance Director of Tricon Trading Limited, the European subsidiary of Tricon USA Inc. He began his career as an FCA with Arthur Young & Co, after earning a B.A. in Economics from Manchester University.

A.R.C. Directors Limited provides independent directorships to the international hedge fund community. The company holds a licence under the Companies Management Law of the Cayman Islands issued by the Cayman Islands Monetary Authority, as required for the provision of directorship services in the Cayman Islands. The owners/managers of A.R.C., Alan Tooker and Ramona Bowry, together have amassed more than thirty years of experience in the alternative investment industry, and have an in-depth understanding of hedge funds, futures and derivatives.

## **11. The Cornerstone Investors**

### **11.1 *VISOR Holding LLP***

VISOR was established in 2001 by Aidan Karibjanov and Nikolay Varenko with start-up capital of US\$1.2 million to focus on investment banking and private equity activities in Kazakhstan and the CIS. In 2002, VISOR became one of the leading brokers on KASE. In 2003, VISOR expanded internationally by opening an office in Bishkek, the Kyrgyz Republic, and acquired Khimpharm, a leading generic drugs producer in Central Asia. In 2004, VISOR opened an office in Moscow and established CAM and Caspian Resources LLP, an industrial holding company. VISOR formed VISOR Capital in early 2006 and transferred across all of its investment banking and brokerage activities to the new entity under Western management. In 2006, VISOR fully focused on private equity opportunities in Kazakhstan, the CIS and internationally. According to VISOR, the aggregate enterprise value of its assets reached approximately US\$1.5 billion by the end of 2006.

### **11.2 *J Rothschild Group***

The J Rothschild Group is a term used to describe a pool of capital associated with Lord Jacob Rothschild who has a strong long-term track record of backing successful asset management businesses with growth potential. In 1983, Lord Jacob Rothschild together with Gilbert de Botton founded Global Asset Management, a global multi-manager aimed at wealthy investors. In 1999, Global Asset Management was acquired by UBS. In 1991, Lord Jacob Rothschild together with Sir Mark Weinberg founded St. James's Place Capital and J Rothschild Assurance. St. James's Place is currently one of the leading life assurance companies in the UK. Spencer House Capital Management LLP was established in 2006 by Lord Jacob Rothschild and Richard Horlick.

## **12. Management Agreement**

The Company, the Fund (acting through its General Partner) and the General Partner have entered into the Management Agreement with the Manager, pursuant to which the Manager undertakes to provide investment advisory and management services to the General Partner (on behalf of the Fund). In consideration of these services, the Manager will receive a management fee (payable semi-annually in advance) equal to 2 per cent. of the NAV of the Company per annum, calculated in accordance with the Investment valuation policy summarised in paragraph 3.3 above.

The services provided by the Manager pursuant to the Management Agreement shall be on an exclusive basis to the Company until the fifth anniversary of the date of Admission (unless the Management Agreement is otherwise terminated in accordance with its terms).

The Management Agreement is to run for an initial five year term from Admission and can be terminated by the Company in the event of any fraudulent act, wilful default, material breach of applicable securities laws and/or gross negligence on the part of the Manager, on the expiry of the initial term or, following expiry of the initial term, by giving two years' notice. In addition, if Shareholders vote in favour of the liquidation of the Company after the expiry of the initial term, the Management Agreement will terminate if a liquidator is appointed within three months of such resolution. If the Management Agreement is so terminated, the General Partner on behalf the Fund has agreed that the Fund and its Investments will be liquidated in an orderly manner and within 24 months of such termination.

Further details on the Management Agreement are set out in paragraph 11.3 of Part 5 of this document.

The obligations of the Manager have been delegated to the Investment Advisers under the terms of the Investment Advisory Agreements.

### **13. Manager Performance Payment**

The Company has agreed to pay the Manager Performance Payment, in the form of either a performance fee to the Manager and/or a carried interest payment to the Carried Interest Partner, based on the increase in the Net Asset Value of the Company as at 31 December in each year compared to the level of the Net Asset Value of the Company as at 31 December in the previous year.

If the NAV of the Company as at 31 December in the relevant year is greater than or equal to the Fund High Water Mark, then the Company shall, within 10 Business Days of the final determination of the Net Asset Value of the Company at 31 December in the relevant year, pay a sum to the Manager (or, if the Manager directs, in part to the Carried Interest Partner) equal to 20 per cent. of the increase in the Net Asset Value of the Company at 31 December in the relevant year over the Fund High Water Mark.

The first performance period shall begin on the date of Admission and end on 31 December 2007, with each subsequent performance period being a period of one year ending on 31 December in each year or the date of termination of the Management Agreement. If the Net Asset Value of the Company does not exceed the Fund High Water Mark in any year, such under performance must be recovered before the Manager Performance Payment can become payable.

The initial calculation of the Net Asset Value of the Company as at 31 December in each year (for the purposes of the Manager Performance Payment only, adjusted *pro rata* as appropriate for any new Ordinary Shares issued by, or dividends or distributions paid by, or Ordinary Shares repurchased by the Company during the relevant period) shall be prepared by the relevant investment and valuation committees of each of the Investment Advisers and shall be subject to review by the Company's auditors (pursuant to the terms of the Management Agreement) and the Board. The Board may also appoint an independent valuer to provide valuation services to the Board to assist in determining the final amount of the Net Asset Value of the Company as at such 31 December.

Following the final determination of the Net Asset Value of the Company as at 31 December, the Manager shall then direct the Company as to whether the Manager Performance Payment should be paid in the form of a performance fee pursuant to the Management Agreement or a carried interest payment pursuant to the Fund Partnership Agreement. Any payments in the form of a performance fee pursuant to the Management Agreement or a carried interest payment pursuant to the Fund Partnership Agreement will not exceed the aggregate amount of the Manager Performance Payment in respect of the relevant year.

Pursuant to the Fund Partnership Agreement, the Carried Interest Partner may be entitled to a carried interest in respect of each realised investment in a Private Company or Special Situation (after making appropriate provision for expenses). Allocations of amounts received by the Fund from realised investments in Private Companies or Special Situations shall, if and to the extent directed by the Manager and provided that the Net Asset Value of the Company is greater than or equal to the Fund High Water Mark, be made in the following order:

- (a) first, 100 per cent. to the Company up to an amount that represents the Acquisition Cost of the relevant Private Companies Investment;
- (b) secondly, 100 per cent. to the Company until such allocations equal the Hurdle Return on the Acquisition Cost of the relevant Private Companies Investment; and
- (c) thereafter, 80 per cent. to the Company and 20 per cent. to the Carried Interest Partner.

Any monies so allocated to the Carried Interest Partner will be paid within 10 Business Days of the final determination of the NAV of the Company at 31 December in the year in which the relevant Private Companies Investment was realised by the Fund. Any return received by the Company on the realisation of a Private Companies Investment shall be reinvested.

The Manager Performance Payment will not be paid if (and to the extent that) the payment would result in the NAV being less than the Fund High Water Mark. The beneficial owners of the Carried Interest Partner are SHCM, CAM, Alexander Bezugly, Richard Horlick and Richard Ford.

#### **14. Share Buy-Back Policy**

To the extent that following the initial Valuation Date on 31 December 2007 the volume weighted average market price of the Ordinary Shares on AIM in any three month period is at a discount of more than 10 per cent. to the NAV of the Company per Ordinary Share in issue, the Directors currently intend that they will undertake repurchases of the Company's shares, up to a maximum of 10 per cent. of the total number of Ordinary Shares in issue at a maximum discount of 10 per cent. to the NAV of the Company per such shares. Isle of Man companies cannot hold Treasury Shares. Any Ordinary Shares purchased by the Company under section 13 of the Isle of Man Companies Act 1992 will be treated as cancelled and the Company's issued share capital shall be diminished by the nominal value of those shares accordingly.

#### **15. Current Trading**

The Company has not traded since incorporation.

#### **16. Currency**

As the Company's income is expected to be denominated in currencies other than US dollars, the Company is likely to be exposed to variations in currency exchange rates. The Board will consider currency hedging measures as appropriate.

The net proceeds of the Placing will be placed on deposit in appropriate interest-bearing securities in US dollars and will only be converted into a currency other than US dollars if and when required for a particular investment opportunity.

#### **17. Treasury Management Policy**

The Administrator will instruct the initial net funds received after Admission to be transferred from Barclays Bank PLC, Isle of Man branch to the Morgan Stanley Prime Brokerage accounts.

CAM will be responsible for the day to day treasury management functions. This will include the monitoring of all cash accounts and forward settlement ladders.

Any mandates approved by the Directors and issued to approved counterparties will require all cash instructions to be subject to two signatures, with one from list A (SHCM authorised signatories) and one from list B (CAM authorised signatories). This applies to both faxed instructions as well as online cash payment instruction authorisations.

Amendments to the list of approved counterparties will be subject to the authorisation of one Non-Executive Director.

Where practicable, all cash balances will be converted to US Dollars. There is no immediate requirement to undertake any hedging or forward foreign exchange contracts but this will be kept under review by the Board and any changes in policy will be advised to the Administrator who will be responsible for implementing any decisions by the Board.

The Administrator will notify CAM of any cash required to settle expenses. CAM will instruct the transfer of cash to the Administrator, subject to the above mandate requirements, to enable invoices to be paid. A summary of payments made will be included in the quarterly reports provided to the Board.

The Administrator will inform CAM of any cash required to meet expenses and the funding requirements of any investment. CAM will instruct the transfer of cash to the relevant cash accounts.

#### **18. Dividend policy**

The Company intends to reinvest capital realisations from its Investments with the aim of achieving capital growth and intends to only distribute income received from Portfolio Companies.

In the absence of unforeseen circumstances, the current intention of the Directors is to distribute not less than 75 per cent. of the distributable profits received as income by the Company and generated through dividend payments received from Portfolio Companies.

Any declaration and payment of dividends by the Company will be dependent upon the Company's results, financial position, cash requirements, future prospect, profits available for distribution and other factors regarded by the Directors as relevant at the time.

The Company has not paid any dividends on the Ordinary Shares since its incorporation.

#### **19. The Placing and use of proceeds**

The Placing is intended to raise US\$250,000,000 before expenses. The net proceeds of the Placing of approximately US\$241,300,000 (assuming subscription in full for all of the Placing Shares) will be used (a) to fund Investments in accordance with the Investment Policy and strategy outlined in this document, (b) to pay ancillary costs and (c) for general corporate purposes.

#### **20. Financial information**

The Company has only recently been incorporated and consequently it has not published any financial information save for the accountants' report set out at Part 6 of this document.

The Company's annual report and consolidated accounts will be prepared up to 31 December in each year. The first such annual report and consolidated accounts covering the period from incorporation to 31 December 2007 will be despatched to Shareholders before the end of March 2008. All subsequent annual reports and consolidated accounts will be dispatched to Shareholders within six months of the financial year end. Shareholders will also receive an unaudited interim report covering the six month period to the end of 30 June in each year. The first such report will cover the six month period to 30 June 2008. Shareholders will also be sent updates on the Company's activities as and when appropriate.

#### **21. Borrowing**

The Company does not have any immediate intention to borrow any funds. However, if appropriate, the Company and the Fund will, if so advised by the Manager, consider raising debt finance by means including, *inter alia*, bank borrowings, private debt placements or listed debt instruments to finance the acquisition of investee companies. The level of debt raised as a percentage of the total funding requirement for any transaction will differ depending upon the perceived ability of the investee company to carry and service the debt as well as the conditions in the debt market at the time of the transaction. The Directors and the Manager consider it vital not to leverage a company beyond its serviceable debt and will attempt, where possible, to mitigate debt risk by ring-fencing assets to protect the underlying equity value, although prospective investors should appreciate that ring-fencing may not always be possible. The Fund may seek leverage of up to 50 per cent. of the NAV should the Board consider it necessary and appropriate.

#### **22. Issue of new Ordinary Shares**

There are no provisions in the Isle of Man Law equivalent to sections 89 to 96 of the Act which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash or otherwise. However, pre-emption rights have been incorporated into the Articles. These rights have currently been disapplied in relation to issues of equity securities of a nominal value of up to £250,000 and in certain other defined circumstances (see paragraph 4.2 of Part 5 of this document for more information). Application will be made for any new Ordinary Shares to be issued under this authority to be admitted to AIM.

#### **23. Lock-in arrangements and orderly marketing**

Pursuant to the Lock-up Agreement, each of the Directors, the Senior Managers and the Cornerstone Investors, other than Numis and Alliance Group, has undertaken to the Company and to Numis, as the nominated adviser and broker, that, except in certain limited circumstances as permitted by the AIM Rules (including acceptance of a general offer to holders of all the Ordinary Shares), they will not dispose of any Ordinary Shares including any shares acquired after Admission for a period of 12 months following

Admission. Following the expiry of the lock-in period each of the Directors, the Senior Managers and the Cornerstone Investors, other than Numis and Alliance Group, has undertaken to only dispose of any Ordinary Shares in the six month period following such expiry following consultation with Numis and shall be made on an orderly basis.

## **24. Life of the Company**

The Articles provide that the Company shall have an unlimited life. If, however, no Investment is made within the 12 months following Admission, the Directors will convene a meeting of Shareholders to consider whether to continue exploring Investment opportunities or to wind up the Company and distribute any residual cash to Shareholders.

In addition, the Company will, as required under the AIM Rules, seek the approval of its Shareholders in general meeting for its Investment Policy on an annual basis.

## **25. Employees**

The Company currently does not have any employees.

## **26. The Administrators and Custodians**

### **26.1 Administrator**

The Company and the Fund have engaged IOMA Fund and Investment Management Limited to provide it with certain administration and registration services pursuant to the Administration Agreement.

The Administrator is a private company incorporated in the Isle of Man and is part of the Isle of Man Assurance Group, established in 1971. The Administrator is registered with the Isle of Man Financial Supervision Commission and is an authorised person for the purposes of the Isle of Man Financial Supervision Act 1988, holding a licence issued under the Isle of Man Investment Business Act 1991-1993.

The main terms of the Administration Agreement are that the Administrator will undertake the day to day administration of the Company and the Fund, including the maintenance of its books and records (in particular, its register of members).

Further details of the Administration Agreement are set out in paragraph 11.5 of Part 5 of this document.

### **26.2 Sub-administrator**

The Administrator has engaged PFPC International Limited as sub-administrator to provide certain accounting services in respect of the Fund.

The Sub-administrator is a private limited liability company incorporated in Ireland on 19 August 1993 under registration number 206361. It has an issued share capital of US\$1,500,000. The Sub-administrator is a wholly-owned subsidiary of the Delaware, US-based PFPC Corp and is an indirect wholly-owned subsidiary of PNC Financial Services Group, Inc. The Sub-administrator's main business activity is the provision of administrative services to collective investment schemes and other portfolios. As at December 2006, PFPC Corp had assets under administration of US\$90 billion.

### **26.3 Custodians**

The Company has appointed two custodians, namely, Morgan Stanley (regulated by the FSA) to act as its custodian in the Investment Countries and HSBC (regulated by the Agency on Financial Supervision in Kazakhstan) to act as its custodian in Kazakhstan. The Custodians have entered into the Custodian Agreements pursuant to which they will provide certain custodian services to the Company which include and relate to the settlement, registration, recording and disposal of the Investments. The Custodian Agreements further authorise the Custodians to act through and hold securities by sub-

custodians. The Custodian and sub-custodians may deposit securities with and hold securities in any depository, settlement system or similar on such terms as such systems customarily operate.

The fees payable to the Custodian for providing the custody services will depend upon the level and extent of the services required. Broadly, the Company will pay between US\$15 and US\$160 per transaction to Morgan Stanley together with a corresponding custody fee. US\$100 per transaction and a custody fee of 0.3 per cent. per annum to HSBC. The Company is also required to pay all transaction, administration and processing fees together with all out of pocket expenses incurred by the Custodians in the course of their duties.

## **27. Costs and Expenses of the Manager**

The Company will bear the third party and other out-of-pocket expenses reasonably incurred in the performance of the duties of the Manager, provided that, the amount of the expenses shall not exceed the annual cap of US\$500,000. In addition it will meet all its own costs and expenses including the costs and expenses of advisers, consultants and other agents engaged on its behalf, commissions, banking fees, legal expenses, auditors, listing costs and the costs of distribution of reports and accounts and similar documentation to Shareholders.

Costs incurred by the Company in connection with the Placing shall be met by the Company. In the event that the Placing is not successfully completed, any outstanding costs and expenses set out above shall be met by the Manager.

## **28. Corporate Governance**

The Directors will take appropriate measures to ensure that the Company complies, as a minimum, with the Corporate Governance Guidelines for AIM Companies issued by the Quoted Companies Alliance. The Directors also intend to adopt additional measures over and above those set out in such Corporate Governance Guidelines so as to ensure appropriate levels of corporate governance are observed. It is the intention of the Directors that the Company complies with the provisions of the Combined Code on Corporate Governance insofar as it is appropriate and practicable for a company of its size and nature.

The additional measures include:

- the majority of the Board at all times consisting of directors who are independent of the Manager;
- the Board maintaining a sound system of internal control to safeguard Shareholders' investments and the Company's assets;
- the Board establishing formal and transparent arrangements for considering how the financial reporting and internal control principles will be applied and for maintaining an appropriate relationship with the Company's auditors;
- an annual evaluation of the performance of the Manager by the Board and a clear statement as to what authority is delegated to the Manager;
- all decisions being made by the Board, subject to those matters delegated to the Manager or other service providers to the Company; and
- establishing a dialogue between the Board and Shareholders based on the mutual understanding of the objectives of the Company and the Board regularly updating Shareholders on its strategy and how its investment objectives are achieved. The Board as a whole will have responsibility for ensuring that a satisfactory dialogue with Shareholders occurs.

There is no additional corporate governance regime with which the Company needs to comply in the Isle of Man.

The Board has established an audit and valuation committee. The audit and valuation committee, comprising Philip Lambert (Chairman), Robert Brown, III and Philip Scales, will be responsible for, *inter alia*, ensuring that the financial performance of the Company is properly reported on and monitored, and valuing any

proposed investment to be made in an investee company and any subsequent revaluation in accordance with the Investment Valuation Policy set out in this document. The audit and valuation committee will review the annual and interim accounts, results, announcements, internal control systems and procedures and accounting policies of the Company.

The Company has established a remuneration committee. The remuneration committee is made up of Richard Horlick (Chairman), Almas Chukin and Philip Scales, who will review the performance of the Directors and set the scale and structure of their remuneration and the basis of their letters of appointment with due regard to the interest of Shareholders. In determining the remuneration of Directors, the remuneration committee seeks to enable the Company to attract and retain directors of the highest calibre. No Director is permitted to participate in discussions of decisions concerning their own remuneration.

In addition, the Company has adopted, with effect from Admission, a share dealing code for the members of the Board and certain employees which is appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealings during close periods in accordance with Rule 21 of the AIM Rules) and the Company will take all reasonable steps to ensure compliance with such code by members of the Board and any relevant employees.

The Company has not established a nominations committee. Any such nominations shall be for the consideration of all of the Directors.

## **29. City Code**

The City Code will apply as the Company has its registered office in the Isle of Man and place of central management in the Isle of Man.

The City Code is issued and administered by the Takeover Panel. It applies to all takeover and merger transactions however effected where the offeree company is, *inter alia*, a listed or unlisted public company considered by the Takeover Panel to be resident in the UK, the Isle of Man or the Channel Islands and certain categories of private limited companies and the Company will be subject to the City Code.

Under Rule 9 of the City Code, any person who acquires an interest in shares which (taken together with shares in which persons acting in concert with that person are interested), carry 30 per cent. or more of the voting right of a company, or any person who, together with persons acting in concert with that person, is interested in shares which in the aggregate carry not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company and acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, is normally required by the Takeover Panel to make a general offer to shareholders of that company to acquire their shares. An offer under Rule 9 must be in cash (or be accompanied by a cash alternative) at not less than the highest price paid within the preceding 12 months for any shares in the Company by the person required to make the offer or any person acting in concert with him.

The Isle of Man Companies Act 1931 provides that if an offer is made for the issued share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has received acceptances or purchased shares subsequently to the making of the offer amounting (in aggregate) to 90 per cent. of the shares to which the offer relates. Certain time limits apply.

## **30. Insurance**

The Directors believe that the insurance industry in Kazakhstan and the Investment Countries is at an early stage of development and, accordingly, the insurance cover available is relatively limited. Where possible the Company intends to put in place similar insurance to that available to funds in the UK, for example business interruption.

## **31. Accounting policy**

The audited accounts of the Company will be prepared under IFRS. Under IFRS, the Company will prepare an income statement which includes net realised and unrealised investment gains. The Company's

management and administration fees, finance costs (including interest on any bank facility) and all other expenses will be charged through the income statement.

Further details on the Company's significant proposed accounting policies are set out in paragraph 12 of Part 5 of this document.

### **32. Taxation**

Information regarding UK, Isle of Man, Cyprus, The Netherlands, Uzbekistan, Russian, Tajikistan, Turkmenistan and Kazakhstan taxation for potential Shareholders is set out in Part 4 of this document. The Company is resident for tax purposes on the Isle of Man and, accordingly, will be subject to Isle of Man corporate income tax at a current rate of 0 per cent.

**A prospective investor who is in any doubt as to his or her tax position, or is subject to tax in a jurisdiction other than the UK, should consult his or her independent financial adviser and/or other professional advisers immediately.**

### **33. Option Agreement**

The Company has entered into an option deed with Numis in respect of the grant of an option over certain Ordinary Shares in the Company immediately following Admission. Further details of this option deed are set out in paragraph 11.6 of Part 5 of this document.

### **34. Plan of distribution and allotment**

The Placing Shares are not being offered generally and no applications have or will be accepted other than under the terms of the Placing Agreement and the placing letters.

### **35. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Ordinary Shares to be admitted to CREST on the date of Admission.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Should Shareholders wish to hold their Ordinary Shares in CREST, they will need to follow the requisite CREST procedures for the dematerialisation of their shareholding.

### **36. Admission, settlement and dealings**

Application will be made for the Ordinary Shares to be admitted to trading on AIM and it is expected that Admission will become effective and dealings in the Ordinary Shares will commence at 8.00 a.m. on 9 May 2007 or shortly thereafter.

Securities of the same class as the Ordinary Shares are not already admitted to trading on any regulated or equivalent markets.

It is expected that the relevant Ordinary Shares will be delivered to the relevant CREST accounts on the day of Admission and that share certificates for the Ordinary Shares to be held in certificated form will be despatched within ten business days of Admission. No temporary documents of title will be issued.

### **37. Risk factors**

The attention of potential investors is drawn to the "Risk Factors" set out in Part 1 of this document.

### **38. Further information**

Your attention is drawn to the additional information set out in Parts 1, 3, 4, 5 and 6 of this document.

## PART 3

### BACKGROUND INFORMATION ON KAZAKHSTAN AND THE INVESTMENT COUNTRIES

*The information contained in this section is intended to provide background information regarding Kazakhstan and the Investment Countries and has, unless otherwise stated, been derived from documents, websites and other publications released by the President of Kazakhstan, the Statistics Agency of Kazakhstan, the Ministry of Finance of Kazakhstan, the MEMR, the National Bank of Kazakhstan and other publicly available sources in Kazakhstan and elsewhere, including information from the Asian Development Bank (“ADB”), European Bank for Reconstruction and Development, the International Monetary Fund together with extracts from The World Fact Book published by the US Central Intelligence Agency (the “CIA”), information published by the US State Department and reports by the Economist Intelligence Unit.*

#### KAZAKHSTAN

##### *Introduction*

Kazakhstan is rich in natural resources, including oil, gas and minerals. Kazakhstan is a leading producer of chrome, aluminium, iron ore, copper, zinc, manganese, coal, uranium, lead and, to a lesser extent, gold and silver. The country is also a significant exporter of oil, grain, wool, meat, machinery and various chemicals. Kazakhstan enjoys relatively high levels of foreign direct investment compared to most developing nations, particularly in the oil and gas sector.

Economic and structural reforms undertaken since 1991 helped to revive Kazakhstan’s economy following several years of falling GDP after the dissolution of the Soviet Union. Real GDP in Kazakhstan grew at an annual rate of 9.6 per cent. in 2004, 9.7 per cent. in 2005, and 10.6 per cent. in 2006. Further, year-on-year consumer price inflation in Kazakhstan decreased from 1,258 per cent. at the end of 1994 to an average of 7.6 per cent. in 2005. Kazakhstan was granted “Market Economy Status” by the European Union (“EU”) in 2001 and by the US in 2002, the first CIS country to be granted this status.

A legal framework is being created for the development of a market-oriented economy, including implementing new tax, securities, bankruptcy, joint-stock company, currency control and auditing laws.

##### *Area and Population*

Kazakhstan is located in Central Asia and is bordered by Russia to the north and west, China’s Xinjiang-Uigur Autonomous Region to the east, the Kyrgyz Republic, Uzbekistan and Turkmenistan to the south and the Caspian Sea to the west. The capital, Astana, is located in central Kazakhstan but Almaty, in the south east of the country, is the principal business and financial centre of the country and is by far its largest city.

The country covers an area of 2.717 million square kilometres, approximately the same size as Western Europe, and spans two time zones from the Caspian Sea in the west to the Altai Mountains in the east. In terms of landmass, Kazakhstan is the ninth largest country in the world and the second largest country, after Russia, in the CIS.

As of 30 June 2006, the population of Kazakhstan was approximately 15.3 million, making Kazakhstan one of the most sparsely populated countries in the world, with an average population density of approximately 5.59 people per square kilometre. The population of Kazakhstan is ethnically diverse. Kazakhs are the largest among the country’s more than 120 different ethnic groups, accounting for approximately 53 per cent. of the population, followed by Russians (30 per cent.), Ukrainians (3.7 per cent.), Uzbeks, Germans, Tatars and others. The relative size of the Kazakh ethnic group has increased since the country’s independence, mainly because of the emigration of non-Kazakh ethnic groups and because of the return of many ethnic Kazakhs to the country.

Historically, Kazakhstan belongs to the Turkic-speaking world. Kazakh, the official language, is spoken by approximately 50 per cent. of the population. Russian is spoken by more than three-quarters of the

population and is also officially recognised for use in State matters and local government. Kazakhstan's adult literacy rate is approximately 98 per cent.

### ***Political System***

Kazakhstan has been one of the most politically stable countries of the CIS. The country's current constitution adopted in August 1995 provides for a tripartite structure of government in which power is divided among the executive, legislative and judicial branches. The Constitution establishes and sets out the powers and functions of the President, the Parliament, the Government, the Constitutional Council and local governments and administrations and establishes an independent judicial system. Under Kazakhstan's current President, Nursultan Nazarbayev, the presidency has increasingly dominated the other branches of government.

The Constitution of Kazakhstan provides that the President is elected to office by popular vote for a term of seven years. The Constitution also provides for early termination of the President's term of office in the event of death, resignation or impeachment.

Kazakhstan has a multi-party political system with Otan, a political party led by President Nazarbayev holding a majority in the legislature.

Nazarbayev, the First Secretary of the Communist Party of Kazakhstan since 1989, became President of Kazakhstan when it became a sovereign state in December 1991 and has held the position of President since then. His presidency was confirmed in a referendum in April 1995 and he was re-elected in January 1999 and again in December 2005 and his current term of office expires in 2012.

### ***Political Outlook***

The Manager believes that the country will maintain a stable political outlook in the next several years. In January 2007, President Nazarbayev appointed Karim Masimov as Prime Minister. This appointment could be seen as a drive to push for further reforms and continue to develop a balanced approach with major neighbours such as Russia and China.

### ***Kazakhstan's Position in the International Community***

Kazakhstan has established diplomatic relations with over 120 countries. Kazakhstan is a full member of the United Nations, the International Monetary Fund, the World Bank, the United Nations Educational, Scientific and Cultural Organisation, the International Atomic Energy Agency, the European Bank for Reconstruction and Development, the Asian Development Bank, the International Development Association, the Multilateral Investment Guarantee Agency, the International Finance Corporation, the International Organisation of Securities Commissions and the Islamic Development Bank. Currently, Kazakhstan has observer status with the World Trade Organisation. Kazakhstan has previously agreed an economic stabilisation programme with the International Monetary Fund and has in the past been granted both standby and extended fund facilities. Kazakhstan is party to a Partnership and Co-operation Agreement with the EU which came into force in 1999 and co-operates with the EU in various scientific and environmental programmes. In 1994, Kazakhstan joined NATO's Partnership for Peace Programme.

The Government has pursued its interests by balancing its relations with its large neighbours (Russia and China) and the United States, although due to geographic proximity and its large Russian minority, Kazakhstan's main external ally is Russia. Kazakhstan has ratified all the international and bilateral agreements that define the current stakes in the Caspian Sea, and Russia and Kazakhstan have reached an agreement to allow Kazakh oil exports through the UAS pipeline and the Makhachkala-Tikhoretsk-Novorossiysk pipelines. Joint ventures between Russian and Kazakh firms to develop a series of offshore oil fields in the Caspian Sea have been agreed. The CPC pipeline, the first independently operated, privately owned and commercially operated pipeline in Kazakhstan and Russia, has cut transportation costs from the Tengiz field and enhanced Kazakhstan's negotiating position with Russia's state-owned Transneft pipeline system. Chinese national firms have acquired interests in Kazakh oil fields and have constructed an oil pipeline from western Kazakhstan to the Chinese border. The Baku-Tbilisi-Ceyhan pipeline from Azerbaijan

to the Turkish Mediterranean coast was inaugurated in May 2005, affording Kazakhstan increased oil export routes and greater geopolitical flexibility.

Kazakhstan is also involved in two efforts to consolidate customs and other economic policies in the region. Kazakhstan, Russia, and Belarus, and more recently Kyrgyz Republic and Tajikistan and Uzbekistan, have entered into a treaty establishing a new Eurasian Economic Community, a customs union which removes trade restrictions between the signatory countries and establishes a common external tariff. In September 2003, Kazakhstan, Ukraine, Russia and Belarus signed an agreement for the creation of a single economic zone, the “Common Economic Space”, which is expected to result in common economic policies, harmonisation of legislation implementing such policies and the creation of a single commission on trade and tariffs.

### ***Economy and Economic Performance***

Kazakhstan’s economy is highly dependent on the successful development of the oil sector. For each of the past five years, GDP growth in Kazakhstan was in excess of 9 per cent. per annum, fuelled by increased world demand for oil and high oil prices. Rapid economic growth has helped stimulate employment and raise living standards. Unemployment rates in Kazakhstan fell from 13.5 per cent. in 1999 to 8.2 per cent. in 2005.

Over this period, the general economic situation in Kazakhstan has improved, leading to a strong growth in imports into Kazakhstan. High oil prices have boosted the current account and balance of payments which moved into surplus and increased foreign exchange reserves, which are being accumulated in the National Development Fund of Kazakhstan in order to reduce inflationary pressures on the country’s economy.

According to the Kazakhstan Ministry of Foreign Affairs, between 1993 and 2005 Kazakhstan has attracted more than US\$34 billion in FDI, the highest per capita rate of all of the republics of the former Soviet Union. One goal of the government is for Kazakhstan to be in the near future among the fifty most competitive nations of the world.

The non-oil economy in Kazakhstan has grown at a rate of over 5 per cent. per annum over the past 5 years. Those sectors most closely associated with oil have grown fastest: construction and services related to oil extraction, transportation, and investment projects, including real estate and related services and, on a lesser scale, financial services and trade have shown strong growth.

The table below shows Kazakhstan’s GDP growth and inflation rates from 2002 to 2006:

	2002	2003	2004	2005	2006
Real GDP Growth (per cent. change)	9.8	9.3	9.6	9.7	10.6
Inflation (CPI per cent. change)	5.9	6.4	6.9	7.6	8.6

*Source: National Agency of Statistics of Kazakhstan/Asian Development Bank*

Kazakhstan was the first CIS country to achieve an investment grade sovereign rating and is currently rated (Foreign Currency Long Term Debt) BBB by Standard & Poor’s and Baa2 by Moody’s Investor Services, Inc.

Reforms aimed at moving Kazakhstan further toward a full market economy continue. Kazakhstan has undertaken one of the more successful pension reform programmes amongst its peer “transition economies”. The legislation regulating Kazakhstan’s financial markets has undergone certain reforms to conform it to international standards and the development of its domestic capital markets remains a key strategic priority. Privatisation, liberalisation of capital controls and tax reforms have also made headway. The government is also moving ahead with the introduction of “e-government” (initially in the customs service), which is aimed at stimulating greater public sector transparency.

### ***Economic Outlook***

According to estimates from ADB, the economic outlook remains positive for Kazakhstan but rests heavily on continued high world commodity prices; a sustained increase in oil and gas and minerals production and export; strong domestic consumption; and continued government commitment to prudent macroeconomic management and market-oriented policy reforms.

ADB expects GDP of Kazakhstan to grow at 8.6 per cent. and 8.9 per cent. in 2007 and 2008, respectively. The non-oil economy is expected to expand at an average rate of around 10 per cent. a year, driven mainly by key sectors such as construction and services.

As a part of the government's initiative to raise the competitiveness of the economy, a variety of tax incentives were introduced to boost the non-oil economy. The VAT rate was reduced from 15 per cent. to 14 per cent. on 1 January 2007, and a further one per cent. reduction is scheduled for 2008 and 2009. New tax concessions were introduced to encourage the development of high-value added industries and capital investment. The government introduced a flat 10 per cent. personal income tax in 2007 and plans to cut payroll taxes by up to 30 per cent. in 2008.

### ***Kazakhstan Stock Exchange***

KASE traces its origins to the Kazakh Interbank Currency Exchange, which was incorporated in 1993. The exchange can be divided into four major sectors: the foreign currency market, government securities market (including supranational securities of Kazakhstan), the shares and corporate bonds market, and the derivatives market.

The value of equities traded on KASE has nearly doubled from approximately US\$2.8 billion in 2005 to approximately US\$5.3 billion in 2006. Several companies, including KazMunayGas Exploration-Production JSC, Kazkommertsbank JSC and Halyk Savings Bank of Kazakhstan JSC, completed initial public offerings or secondary offerings on KASE in 2006. Upcoming KASE listings are expected to include public offerings by Air Astana and Eurasian Natural Resources Corp., among others. In addition, the Company may seek a secondary listing on KASE in the future as a means of further integrating the Fund into Kazakhstan and improving the liquidity of the Ordinary Shares.

According to KASE, over 80 stocks are currently listed on the exchange (A and B listings), with a substantially smaller number of companies actively traded. Only a handful of listed companies (primarily banks, large mineral resource companies and national monopolies) boast a market capitalisation above US\$1.0 billion. In 2006, the KASE average daily liquidity was approximately US\$20 million.

Despite significant recent growth, the Manager believes KASE remains underdeveloped and as a result offers significant investment opportunities to the Fund.

### ***Investment Opportunities***

The Manager considers that Kazakhstan has an attractive environment for investing in the medium-term. This is based upon high world oil prices, which the Manager hopes will create attractive investment opportunities in the oil and gas production and exploration sector. The Manager remains confident in the oil and gas sector in the medium term as it expects the production output will continue to grow. The Company may seek to explore possibilities for a consolidation of smaller listed or private oil and gas production and exploration companies in Kazakhstan.

In the Manager's opinion projected expansion of the country's oil and gas output through to 2015 presents an opportunity in the oil services sector. The Manager and the Investment Advisers believe there is an opportunity to create a sizeable oil services business in Kazakhstan and have been exploring a possibility of investing in such businesses.

In the Manager's opinion continued strength in the world's prices for metals will present a number of investment opportunities. On the public equity side, Eurasian Natural Resources Corporation, a major iron ore, ferrochrome and aluminium producer is considering an IPO. On the private equity side, there is a number of pre-IPO investments in the mineral extraction sector.

The Manager believes that the projected growth of the Kazakh economy in the coming years will be favourable for development of investment opportunities in non-natural resource sectors. Further, the continued economic growth in Kazakhstan should benefit retail operators. The Manager believes that food and non-food retail will experience substantial growth in the coming years.

## **KYRGYZ REPUBLIC**

### ***Introduction***

The Kyrgyz Republic is a small mountainous country in Central Asia. The Kyrgyz Republic's mountainous terrain makes development of mining and agriculture, the country's two principal economic activities, challenging. The Kyrgyz Republic has significant deposits of gold and rare earth metals but it has negligible petroleum and gas reserves.

Following the collapse of Soviet Union, between 1991 and 1995 the Kyrgyz Republic's GDP approximately halved. By 1996, the economy stabilised and began to recover. The Kyrgyz Republic has created a relatively favourable legal framework for the development of a market-oriented economy, including tax, securities, bankruptcy, joint-stock company, currency control and auditing laws. The country joined the World Trade Organisation in 1998.

### ***Area and Population***

The Kyrgyz Republic is a landlocked country in Central Asia bordering Kazakhstan to the north, China to the east, Tajikistan to the south and Uzbekistan to the west. Bishkek, the Kyrgyz Republic's capital, is located in the north of the country.

The country covers an area of 198,500 square kilometres, which is approximately 20 per cent. smaller than the territory of the United Kingdom.

The population of the Kyrgyz Republic is expected to be equal to approximately 5.3 million in mid-2007. The country is ethnically diverse with the Kyrgyz peoples constituting approximately 64.9 per cent., the Uzbeks approximately 13.8 per cent., and the Russians approximately 12.5 per cent. of the country's population.

Official status has been granted to both the Russian and Kyrgyz languages.

### ***Political System***

The 1993 constitution of the Kyrgyz Republic defines the form of government as a democratic republic. The executive branch includes a president and prime minister. The parliament is uni-cameral. The judicial branch includes a Supreme Court and a Constitutional Court.

Since the collapse of the Soviet Union, the country was run by President Askar Akayev who increasingly displayed authoritarian tendencies. In 2003, he initiated a constitutional reform process which initially included the participation of a broad range of government, civil, and social representatives in an open dialogue, leading to a February 2003 referendum marred by voting irregularities. The amendments to the constitution approved by the referendum resulted in stronger control by the President and weakened the parliament and the Constitutional Court. Parliamentary elections for a new, 75-seat unicameral legislature were held on 27 February and 13 March 2005. The subsequent protests led to civil unrest (the Tulip Revolution) which led to President Akayev fleeing the country and being replaced by acting president Kurmanbek Bakiyev.

### ***Political Outlook***

The election of Kurmanbek Bakiyev in 2005 did not remove political uncertainties. The latest government formed in February 2007 after a long and drawn out political process, abruptly resigned at the end of March 2007 leading to the appointment of a prominent opposition figure, Almaz Atambayev as Prime Minister.

### ***Economy and Economic Performance***

The principal sector of the economy in the Kyrgyz Republic is agriculture, which contributes about one-third of the GDP and half of all employment. The main crops include cotton, wheat, sugar beets, tobacco, vegetables and fruit. Wool, meat and dairy products are also major commodities, and much of the industrial sector is devoted to agro-processing.

The Kyrgyz Republic has substantial deposits of coal, gold, uranium, antimony and other rare earth metals and its principal exports include nonferrous metals and minerals, woollen goods and other agricultural products, electric energy, and certain engineering goods. The Kyrgyz Republic's plentiful water resources and mountainous terrain enable it to produce and export large quantities of hydroelectric energy. Its imports include petroleum and natural gas, ferrous metals, chemicals, most machinery, wood and paper products, some foods, and some construction materials. Its leading trade partners include Germany, Russia, China, and neighbouring Kazakhstan and Uzbekistan.

Around 1996, the country's economy began recovering from the economic collapse caused by the disintegration of the former Soviet Union. Its economy grew by 7.0 per cent. in 2003 and then again in 2004. In 2005, the country experienced the Tulip Revolution, which halted the economic expansion with GDP contracting by 0.2 per cent. in that year. An economic growth resumed in 2006 but GDP recorded a growth rate of only 2.7 per cent. due to an accident at Kumtor, the country's largest gold mine, which accounts for approximately one third of the country's industrial output.

Positive economic developments in 2006 included growth in the service sector, construction and agriculture. Agriculture recovered from a fall in output in the previous year, posting a moderate 1.5 per cent. expansion. The Kyrgyz Republic has recently pursued a prudent moderate monetary policy. Various macro-economic factors, including exchange rate appreciation, resulted in a consumer price inflation rate of 5.6 per cent. in 2006. In 2006, the government continued to implement a prudent fiscal policy, improved tax administration and reduced the country's external debt as a percentage of GDP to approximately 70 per cent. of GDP.

The Kyrgyz Republic remains poor with estimated GNP per capita of US\$440 in 2005. A substantial, though uncertain, percentage of the country's labour force is employed abroad. Remittances from abroad, primarily from Russia and Kazakhstan, reached 20-25 per cent. of GDP in 2006.

### ***Economic Outlook***

The Kyrgyz Republic's economic prospects heavily depend on a number of key assumptions. ADB assumes that the political situation will stabilise as both the government and parliament make headway to resolving the prolonged standoff; key legislation is passed quickly; structural reforms are carried out soon; two promising gold deposits, Jerui and Taldy-Bulak, start mining production; the price of gold stays favorable; growth remains strong in Russia, China and Kazakhstan; and, importantly, the government demonstrates commitment to announced economic policy goals and reforms.

In this scenario, GDP growth is projected to be around 4 per cent. in 2007 and 5 per cent. in 2008, underpinned by the rebound in Kumtor gold output and the launch of the new mines, and by a sustained increase in non-gold industry and services.

With continuing government efforts in improving the tax administration, greater compliance encouraged by reduced tax rates and some "formalisation" of the shadow economy, ADB expects that the fiscal balance will remain within limits agreed with the International Monetary Fund. The draft budget for 2007 envisages a further reduction in the payroll tax from 29 per cent. to a medium-term target of 25 per cent. Inflation should remain manageable with an inflation rate less than 10 per cent.

### ***Investment Opportunities***

Despite political instability since 2005, the investment climate in the Kyrgyz Republic has improved with a simplified tax system and better regulation of the banking sector. FDI flows accelerated and were directed largely into finance, telecommunications and food-processing. The country's stock market is very small and as such the Company will primarily target Private Companies Investments and Special Situations. The Company will leverage the substantial experience and connections of VISOR in the Kyrgyz Republic where it has been operating since 2003.

Given the country's large external debt, the Company expects the government to accelerate the privatisation programme creating investment opportunities. The Manager believes that Kyrgyz Altyn, the state-owned gold monopoly is a particularly attractive asset.

## **UZBEKISTAN**

### ***Introduction***

Uzbekistan is a dry land-locked country with the largest population in Central Asia. Approximately 11 per cent. of Uzbekistan consists of intensely cultivated irrigated river valleys. The country is the second-largest exporter of cotton and the world's seventh largest producer of gold. Uzbekistan is also rich in copper, natural gas, oil and uranium. Agriculture contributes about 31 per cent. of the country's GDP while employing 44 per cent. of the labour force.

Uzbekistan faced significant economic challenges following a break up of Soviet Union in 1991. President Islam Karimov, the country's leader since 1990, adopted a gradual reform strategy emphasising state controls, reduction of imports and energy and food self-sufficiency. According to the World Bank, privatisation has been limited, private property rights suffer from repeated violations by state enforcement entities and the overall business climate in Uzbekistan remains unfriendly.

### ***Area and Population***

Uzbekistan has an area of approximately 447,400 square kilometres, which is similar in size to Sweden. It borders Turkmenistan to the southwest, Kazakhstan and the Aral Sea to the north, and Tajikistan and the Kyrgyz Republic to the south and east. Uzbekistan also shares a short border with Afghanistan to the south. Tashkent is the capital city of Uzbekistan, with a population of approximately 2.1 million.

With a population at approximately 27.3 million as of July 2006, Uzbekistan is Central Asia's most populous country. Uzbekistan is an agricultural country with close to two thirds of its population living in rural areas.

Uzbekistan is predominantly Uzbek in ethnic composition with Uzbeks comprising 80 per cent. of the total population. Other ethnic groups include Russians – 5.5 per cent., Tajiks – 5 per cent., Kazakhs – 3 per cent., Karakalpaks – 2.5 per cent., and Tatars – 1.5 per cent. The nation is 88 per cent. Muslim and 9 per cent. Eastern Orthodox. Uzbek is the only official state language, however, Russian is the de facto language for inter-ethnic communication, including much day-to-day technical, scientific, governmental and business use.

### ***Political System***

Uzbekistan has a political framework of a presidential republic. President Karimov has maintained a tight power grip with strong control of media and opposition groups, thus maintaining many aspects of the Soviet past.

### ***Political Outlook***

A referendum in 2002 extended the presidential term from five to seven years, which expires in December 2007. The next presidential elections are due in December 2007. The Manager considers it is likely that President Karimov will maintain his power post election at the end of the year.

### ***Economy and Economic Performance***

Following a substantial reduction in GDP size in the early 1990s, the country's economy has been growing in more recent years. The average GDP growth of approximately 3 per cent. per annum in 2000 to 2003 has accelerated since then driven by a favourable upward price movement of key commodities such as cotton, gold and copper. In 2006, Uzbekistan recorded a GDP growth of approximately 7.3 per cent.

The official consumer price inflation rate was estimated to be at 7.6 per cent. in 2006. However, this is an area of debate, created by the gap between official and International Monetary Fund estimates for CPI. The CIA estimates the 2006 inflation rate at 38 per cent. based on analysis of consumer prices.

The government of Uzbekistan maintains certain restrictions on imports. In 2003, the government accepted the obligations of Article VIII of International Monetary Fund providing for full currency convertibility. However, strict currency controls and tightening of borders have lessened its effects.

## ***Economic Outlook***

ADB believes that international prices of the country's major exports look favourable for the next couple of years. Following an estimated 7 per cent. increase in 2006, the cotton price is expected to continue climbing, reflecting a rundown of global stocks. Gold prices have been predicted to rise further. In addition, the economy will likely continue enjoying the benefits of higher energy prices after securing a significant increase in the export price of its gas. External demand for exports should remain favourable with the likely continued strong performance of Russia and neighbouring transition economies.

ADB projects GDP growth for Uzbekistan of 7.4 per cent. in 2007 and 7.1 per cent. in 2008, respectively. The government is targeting inflation of between 5 and 7 per cent. in 2007 by implementing prudent fiscal and monetary policies, although ADB believes it will be difficult to achieve that target. Over the medium term, ADB believes the economy will require more investment, especially from the private sector and has to diversify to create the jobs needed by its relatively young and growing population.

## ***Investment Opportunities***

Given its substantial resource base and relatively immature local consumer markets, Uzbekistan is, in the view of the Manager, an attractive market and will continue to be such in the long-term. There are investment opportunities across a broad range of sectors including oil and gas production and exploration, oil services, consumer-related sectors and banking sector. At the same time the country is in the early stages of opening itself to foreign investors. According to ADB, in 2002 to 2005 the country attracted only US\$475 million in foreign direct investment.

A considerate approach is required when exploring investment opportunities in Uzbekistan. The Manager believes that the Company structured as a neutral Kazakhstan-focused investment vehicle with a broad international investor base could be well received in the country and be able to get access to investment opportunities in Uzbekistan. Since 2006, VISOR and CAM have been actively pursuing private equity investment opportunities in the cement production and banking sectors. In preparation for an increase in the private equity deal flow from the country, CAM has recently hired an Uzbek national.

## **TAJIKISTAN**

### ***Introduction***

Tajikistan is the smallest nation in Central Asia by area. It is covered by mountains of the Pamirs and Trans-Alay Range, and more than 50 per cent. of the country is over 3,000 metres above the sea level. Approximately 93 per cent. of Tajikistan is mountainous. The principal rivers of Central Asia, the Amu Darya and the Syr Darya, both flow through Tajikistan. These rivers are fed by melting snow from mountains in Tajikistan and Kyrgyzstan. As a result, flooding and landslides sometimes occur during the annual spring thaw.

### ***Area and Population***

Tajikistan has an area of approximately 143,100 square kilometres. It is a mountainous landlocked country bordering Afghanistan to the south, Uzbekistan to the west, the Kyrgyz Republic to the north, and China to the east.

As of July 2006, Tajikistan had a population of approximately 7.3 million. Tajiks are the main ethnic group, although there is a sizeable minority of Uzbeks, and a small population of Russians. The official language of Tajikistan is the Tajik, while Russian is widely used in the business environment.

### ***Political System***

Almost immediately after independence in 1991, Tajikistan was plunged into a civil war. By 1997, the disruption had reduced and a central government began to take form, with peaceful elections in 1999.

Tajikistan is officially a republic, and holds elections for the President and legislature. The latest legislative elections took place in 2005. The 6 November 2006 presidential election was boycotted by some opposition parties but Emomali Rakhmon was successfully re-elected as President.

### ***Political Outlook***

The Manager believes that Emomali Rakhmon, elected in November 2006 for a seven-year term, will continue to dominate the country's political process in the medium-term. His party, the People's Democratic Party of Tajikistan, has a majority in the Tajik legislature.

### ***Economy and Economic Performance***

Tajikistan was the poorest country in Central Asia at the time of Soviet Union. The situation further deteriorated during the civil war following the independence in 1991. From 1999, GDP experienced consistently strong growth with a GDP growth rate of 10.8 per cent. in 2002, 11 per cent. in 2003, 10.3 per cent. in 2004, 6.7 per cent. in 2005 and 7 per cent. in 2006.

The country's dependence on agriculture has significantly decreased over the past 15 years (from 36 per cent. of GDP in 1991 to 22 per cent. of GDP in 2006). In 2006, a pick up in FDI financing for infrastructure projects and other construction investments, including a boom in private housing, lifted domestic demand, while a surge in aluminium exports (the main export commodity) underpinned strong export growth. Aggregate demand was driven by higher private consumption expenditure that, in turn, drew strength from the higher workers' remittances from abroad and an increase in domestic wages.

Inflation accelerated in 2006 into double digits. The preliminary estimate for 2006 is 11.9 per cent., up from 7.1 per cent. in 2005. The fiscal situation was healthy in 2006, despite the elections, as robust economic growth and better tax administration helped revenues exceed their targets.

### ***Economic Outlook***

ADB analyses the economic prospects for Tajikistan on the basis of mixed price trend predictions for the main traded commodities. Prices of aluminium have been supported by high demand but are expected to fall. Global prices for cotton, the second-largest export item, are expected to rise by 18 per cent. cumulatively over the next two years. Prices for natural gas from Uzbekistan, the main supplier, were increased to US\$100 per 1,000 cubic metres in early 2007 and this should have a marked impact on the import bill and domestic prices.

According to ADB, the economy is forecast to expand by 7.5 per cent. and 7.1 per cent. in 2007 and 2008 respectively. Externally funded investments in infrastructure, including energy and transportation, will hopefully boost aggregate demand, though the major source of growth will probably continue to be remittance-backed consumption. On the supply side, services should continue to be an important source of growth, partly as a spillover from greater investment activity but mainly through rising consumption. Aluminium production is likely to continue to drive industry's contribution to overall growth, but cotton's contribution to agricultural growth is expected to diminish, despite favourable price dynamics.

### ***Investment Opportunities***

Tajikistan is a relatively small market when compared to Kazakhstan and Uzbekistan yet it has a number of investment opportunities comprised of several large state-owned enterprises such as Tursunzade Aluminium Smelter (Tadaz), the largest industrial concern in the country. The Manager will be relying on VISOR which has been actively exploring investment opportunities in Tajikistan since 2006.

## **TURKMENISTAN**

### ***Introduction***

Turkmenistan is the second largest country in Central Asia as measured by territory and has the smallest population of only five million people. It possesses the world's fourth largest reserves of natural gas and substantial oil resources. Turkmenistan is a largely desert country with intensive agriculture in irrigated oases and large gas and oil resources. Approximately one-half of its irrigated land is planted in cotton; within the last ten years Turkmenistan was the world's 10th-largest producer. However, poor harvests in recent years have led to an almost 50 per cent. decline in cotton exports.

### ***Area and Population***

Turkmenistan is a country of Central Asia, bordering the Caspian Sea, Kazakhstan, Uzbekistan, Iran and Afghanistan. It is the southernmost member of the CIS. Turkmenistan is slightly smaller than Spain in territory, occupying 488,100 square kilometres. Ashgabat, the capital of Turkmenistan, has a population of unofficially estimated at approximately 500,000 and is located close to the southern border of the country.

As of July 2006, the country had a population of approximately 5.0 million. The dominant ethnic group is Turkmen (85 per cent.) with substantial Uzbek (5 per cent.) and Russian (4 per cent.) minorities. Turkmen is the name of the national language of Turkmenistan. It is spoken by approximately 72 per cent. of the population of Turkmenistan with approximately 12 per cent. of the population speaking Russian.

### ***Political System***

The political framework of Turkmenistan could be defined as authoritarian presidential republic, whereby the President is both head of state and head of government. Turkmenistan has a single party system.

President for life, Saparmurat Niyazov, a former leader of a local branch of the Communist Party of the Soviet Union, ruled Turkmenistan from 1985, when he became head of the Communist Party until his death in 2006. He retained absolute control over the country after the dissolution of the Soviet Union.

After Niyazov's death, deputy Prime Minister Gurbanguly Berdimuhammedov was named acting president, and was elected President in his own right on 11 February 2007.

### ***Political Outlook***

In the Manager's opinion, there are hopeful signs that President Gurbanguly Berdimuhammedov will be more moderate in his aims to control the country as compared to his predecessor and might pursue some reforms. There have been declarations about possible reforms in very specific areas like agriculture and education.

### ***Economy and Economic Performance***

Economic performance in 2006 was healthy with GDP growth estimated at 9 per cent. by ADB. Growth was sustained by renegotiated gas prices with Russia and strong exports. According to International Monetary Fund figures, inflation moderated from 10.7 per cent. in 2005 to 9.0 per cent. in 2006. The country maintained key elements of its social protection system based on provision to the entire population of basic consumer goods and utilities free of charge or at subsidized rates.

### ***Economic Outlook***

The Manager shares the views of ADB which closely link economic prospects for Turkmenistan to political developments post-Niyazov. In the medium term, the economy will maintain its heavy reliance on exports of natural gas and cotton. With the potential discovery of new gas fields (although not proven), Turkmenistan could increase exports of natural gas to Russia and Ukraine and at the same time attempt to diversify its gas export destinations to include, most likely, China, and, possibly, Afghanistan, India and Pakistan.

### ***Investment Opportunities***

The Manager believes that as Turkmenistan is rich with natural resources, it has the potential to become an attractive market to pursue investment opportunities.

The Manager will initially rely on VISOR in pursuing investment opportunities in Turkmenistan. To date, VISOR has had only limited activities in the country but it has recently taken a more proactive approach to seeking investment opportunities in Turkmenistan.

## **THE RUSSIAN FEDERATION**

### ***Introduction***

Due to the level of information already publicly available and readily accessible to investors the Company consider it unnecessary to provide the level of detail on Russia as provided for above in relation to the other Investment Countries. A brief discussion of the Investment Opportunities in this country is however included below.

### ***Investment Opportunities***

The Manager believes that Russia could be a source of attractive investment opportunities for the Company in the medium term. Given its size and importance to the economies in Central Asia, Russia is a natural extension of the Company's investment remit. At the same time, the Manager does not intend to actively compete for investment opportunities with Russian-focused investment vehicles.

The Manager will limit its focus on the investment opportunities in Russia and has identified the following instances where an Investment may be made if: (i) the Investment Advisers or Cornerstone Investors have a significant connection to or particular knowledge of a particular business, its management or existing shareholders; (ii) a Private Companies Investment which fits as part of a wider regional consolidation strategy; or (iii) where the Investment opportunity has close business links with Kazakhstan and the other Investment Countries.

There are a number of sectors which, in the view of the Manager, could pose attractive, interesting and potentially profitable investment targets in Russia. The financial services sector for example in major provincial Russian cities surrounding Kazakhstan will be attractive in the medium term due to its growth potential. Further sectors of interest include banking institutions, consumer finance companies and specialist service providers. The Manager believes that the financial services sector is more sophisticated in Kazakhstan than in the Russian regions and through the Cornerstone Investors in the Company, it hopes to be well placed to exploit these opportunities. Further, the Company proposes to target public equities and pre-IPO investment opportunities in the metals and mining and retail and other consumer related sectors which the Manager considers likely to flourish as the country develops.

## **PART 4**

### **TAXATION**

#### **1. Introduction**

The tax discussion set out below is a summary included for general information purposes only and does not address every potential tax consequence that might be relevant to the Company and each particular Shareholder. It applies (unless otherwise stated) to persons who are not share dealers and who beneficially own shares as instruments. Although it is based on current law and practice, the Shareholders should appreciate that as a result of changing law or practice or unfulfilled expectations as to how the Company, companies within the Company or Shareholders will be regarded by tax authorities in different jurisdictions, the tax consequences may be otherwise than as stated below. Shareholders should consult their professional advisers on the possible tax consequences of their subscribing for, purchasing, holding, selling or redeeming Ordinary Shares under the laws of their countries of citizenship, residence, ordinary residence or domicile.

Unless indicated otherwise, any reference to a legal entity/company resident in a country assumes that such entity is a tax resident of that country for the purposes of both the domestic legislation of that country and any Treaty between that country and another country.

There can be no assurance that the tax position or proposed tax position prevailing at the time an investment in the Ordinary Shares is made will endure indefinitely.

Prospective investors who are in any doubt as to their tax position or require more detailed information than the general outline below should consult their professional advisers.

#### **2. The Company**

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

The Isle of Man Government has introduced a general 0 per cent. tax rate for companies with effect from 6 April 2006. The Company will be resident for tax purposes on the Isle of Man but subject to corporate income tax at the rate of 0 per cent.

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

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

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

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

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

The Distributable Profits Charge which applies to any distributions to Isle of Man resident shareholders does not apply to companies that are listed on a recognised stock exchange. No withholding tax will be due on distributions to non resident shareholders.

The EU Savings Tax Directive (Council Directive 2003/48/EC) (the "Directive") came into force on 1 July 2005. The Isle of Man has entered into bilateral agreements with the EU Member States which effectively require the Isle of Man to comply with the requirements of the Directive.

The Directive should not apply to dividends paid by the Company on the grounds, *inter alia*, that the dividends do not fall into the definition of ‘interest’ for Directive purposes.

## 2.2 ***Kazakhstan Country Taxation***

The following is a summary of certain tax considerations relevant to the purchase, ownership and disposal of different types of securities in companies in Kazakhstan by the Company as non-resident investor. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by the regions, municipalities or other non-federal level authorities of the countries involved.

The Company expects the investments of the Fund, in Kazakhstan to be owned through a series of special purpose vehicles incorporated in a jurisdiction which enjoys a favourable tax treaty with Kazakhstan. Based on current tax legislation and the existing treaty network, investments in Kazakhstan are likely to be held through a special purpose vehicle resident in The Netherlands.

The statutory Kazakhstan dividend and interest withholding tax rate is 15 per cent.

The Kazakhstan/Netherlands Treaty (“KN Treaty”) has been effective since 1 January 1996. Under the dividend article of the KN Treaty, dividends paid by a Kazakhstan company to a Dutch resident company holding, directly or indirectly, at least 10 per cent. of the capital of the company paying the dividend, should, subject to meeting certain conditions, be subject to 5 per cent. withholding tax in Kazakhstan if the Dutch company is the beneficial owner of the dividend. In all other cases, the withholding tax rate on dividends will be 15 per cent.

Payments of interest from a Kazakhstan company to a recipient resident in The Netherlands should normally be subject to 10 per cent. withholding tax.

Gains realised by the Dutch special purpose vehicle on the disposal of shares in Kazakhstan subsidiaries (not being companies of which the value is derived principally directly or indirectly from Kazakhstan based real estate) should normally not be subject to Kazakhstan tax under the KN Treaty provided certain conditions are met.

## 2.3 ***Uzbekistan Country Taxation***

The following is a summary of certain tax considerations relevant to the purchase, ownership and disposal of different types of securities in companies in Uzbekistan by the Company as non-resident investor. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by the regions, municipalities or other non-federal level authorities of the countries involved.

The Company expects the investments of the Fund in Uzbekistan to be owned through a series of special purpose vehicles incorporated in a jurisdiction which enjoys a favourable tax treaty with Uzbekistan. Based on current tax legislation and the existing treaty network, investments in Uzbekistan are likely to be held through a special purpose vehicle resident in The Netherlands.

The statutory Uzbekistan dividend and interest withholding tax rate is 15 per cent.

The Uzbekistan/Netherlands Treaty (“UN Treaty”) has been effective since 1 January 2003. Under the dividend article of the UN Treaty, dividends paid by an Uzbekistan company to a Dutch resident company holding directly at least 25 per cent. of the capital of the company paying the dividend, should, subject to meeting certain conditions, be subject to 5 per cent. withholding tax in Uzbekistan if the Dutch company is the beneficial owner of the dividend. In all other cases, the withholding tax rate on dividends will be 15 per cent.

Payments of interest from an Uzbekistan company to a recipient resident in The Netherlands should normally be subject to 10 per cent. withholding tax.

Gains realised by The Netherlands special purpose vehicle on the disposal of shares in Uzbekistan subsidiaries (not being companies of which the value is derived principally directly or indirectly from Uzbekistan based real estate) should normally not be subject to Uzbekistan tax under the UN Treaty provided certain conditions are met.

#### 2.4 ***Russian Country Taxation***

The following is a summary of certain tax considerations relevant to the purchase, ownership and disposal of different types of securities in companies in Russia by the Company as non-resident investor. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by the regions, municipalities or other non-federal level authorities countries involved.

The Company expects the investments of the Fund in Russia to be owned through a series of special purpose vehicles incorporated in a jurisdiction which enjoys a favourable tax treaty with Russia. Based on current tax legislation and the existing treaty network, investments in Russia are likely to be held through a special purpose vehicle resident in Cyprus.

The statutory Russian dividend and interest withholding tax rates are 15 per cent. and 20 per cent., respectively.

The Russia/Cyprus Treaty (“RC Treaty”) has been effective since 1 January 2000. Under the dividend article of the RC Treaty, dividends paid by a Russian company to a Cypriot resident company should be subject to 5 per cent. withholding tax in Russia if the Cypriot company is the beneficial owner of the dividend and the amount invested is in excess of US\$100,000. For investments less than US\$100,000, the withholding tax rate should be 10 per cent.

Payments of interest from a Russian company to a recipient resident in Cyprus should not be subject to any withholding tax in Russia.

Gains realised by the Cypriot special purpose vehicle on the disposal of shares in Russian subsidiaries should normally not be subject to Russian tax under the RC Treaty.

#### 2.5 ***Tajikistan Country Taxation***

The following is a summary of certain tax considerations relevant to the purchase, ownership and disposal of different types of securities in companies in Tajikistan by the Company as non-resident investor. The summary does not seek to address the applicability of, and procedures in relation to, taxes levied by the regions, municipalities or other non-federal level authorities countries involved.

The Company expects the investments of the Fund in Tajikistan to be owned through a series of special purpose vehicles incorporated in a jurisdiction which enjoys a favourable tax treaty with Tajikistan. Based on current tax legislation and the existing treaty network, investments in Tajikistan are likely to be held through a special purpose vehicle resident in Cyprus.

The Tajikistan/Cyprus Treaty (“TC Treaty”) has been effective since 1 January 1983. Under the dividend article of the Treaty, dividends paid by a Tajikistan company to a Cypriot resident company should not be subject to any withholding tax in Tajikistan.

Similarly, payments of interest from a Tajikistan company to a recipient resident in Cyprus should not be subject to any withholding tax in Tajikistan.

Gains realised by the Cypriot special purpose vehicle on the disposal of shares in Tajikistan subsidiaries should not normally be subject to tax in Tajikistan under the TC Treaty.

#### 2.6 ***Turkmenistan Country Taxation***

The following is a summary of certain tax considerations relevant to the purchase, ownership and disposal of different types of securities in companies in Turkmenistan by the Company as non-resident investor. The summary does not seek to address the applicability of, and procedures in relation to,

taxes levied by the regions, municipalities or other non-federal level authorities of the countries involved.

The Company expects the investments of the Fund in Turkmenistan to be owned through a series of special purpose vehicles incorporated in a jurisdiction which enjoys a favourable tax treaty with Turkmenistan. Based on current tax legislation and the existing treaty network, investments in Turkmenistan are likely to be held through a special purpose vehicle resident in Cyprus.

The statutory Turkmenistan dividend and interest withholding tax rate is 15 per cent.

The Turkmenistan/Cyprus Treaty (“TKC Treaty”) has been effective since 1 January 1983. Under the dividend article of the Treaty, dividends paid by a Turkmenistan company to a Cypriot resident company should not be subject to any withholding tax in Turkmenistan.

Similarly, payments of interest from a Turkmenistan company to a recipient resident in Cyprus should not be subject to any withholding tax in Turkmenistan.

Gains realised by the Cypriot special purpose vehicle on the disposal of shares in Turkmenistan subsidiaries should not normally be subject to tax in Turkmenistan under the TKC Treaty.

## 2.7 *Netherlands Taxation*

It is intended that the Company will make investments in Kazakhstan and Uzbekistan indirectly through Netherlands established and resident special purpose companies (“Dutch SPVs”) with a legal form of a private limited liability company (*besloten vennootschap*) or cooperative (*cooperatie*).

The Netherlands participation exemption regime provides an exemption from Dutch corporate income tax on benefits derived from qualifying shareholdings, provided certain conditions are met. The business affairs of the Company and any subsidiary are critical for the application of the Netherlands participation exemption.

Dividend distributions by the Dutch SPVs are normally subject to 15 per cent. Dutch dividend withholding tax unless the Dutch SPVs are organised as a Dutch cooperative provided properly structured.

The General Partner and each of the participants in Carried Interest Partner (assuming that the Fund and the Carried Interest Partner should be considered transparent for Dutch tax purposes) should not be subject to Dutch substantial interest taxation based on the assumption that neither of them directly or indirectly, owned or has certain rights to acquire, alone or together with certain related persons, (i) shares constituting at least 5 per cent. of the Dutch SPVs’ aggregate issued and outstanding share capital or, (ii) if the Dutch SPVs have several classes of shares, of the aggregate issued and outstanding share capital of any class of shares, or (iii) profit certificates or membership rights entitling to at least 5 per cent. of the Dutch SPVs’ annual profit or at least 5 per cent. of the liquidation proceeds of the Dutch SPVs, or (iv) if the Dutch SPVs were to be organised as Dutch cooperatives, rights constituting at least 5 per cent. of the Dutch SPVs’ voting rights.

Should this assumption be incorrect, any income or gain derived from their investment in the Dutch SPVs by the General Partner and each of the participants in Carried Interest Partner (assuming that the Fund and the Carried Interest Partner should be considered transparent for Dutch tax purposes) would be subject to Dutch substantial interest taxation unless this investment belongs to the business assets of the Company. If a tax treaty applies the applicable rate could possibly be reduced.

It is expected that the Company should not be subject to Dutch corporate income taxation provided that the Company’s substantial shareholding in the Dutch SPVs belongs to its business assets and that the Company does not have a (deemed) permanent establishment or (deemed) permanent representative in the Netherlands.

It is intended to seek confirmation of the Company's Netherlands corporate tax position with respect to the non taxation of income (including dividends, interest and capital gains) derived from the Dutch SPVs through application for an advance tax ruling with the Netherland Tax Authorities.

## 2.8 *Cyprus Taxation*

It is intended that the Company will make investments in Russia, Tajikistan and Turkmenistan indirectly through Cyprus established and resident special purpose companies.

There should be no capital gains tax in Cyprus on the sale of shares in the Russian, Tajikistan or Turkmenistan companies as Cypriot capital gains tax applies only to gains derived from immovable property located in Cyprus or disposal of shares of companies whose assets include immovable property in Cyprus.

Dividends received from the Russian, Tajikistan and Turkmenistan companies should be covered by the participation exemption and therefore not be taxable in Cyprus provided the Cypriot company holds at least 1 per cent. of the capital of the company paying the dividend. The participation exemption does not apply if the company paying the dividend derives more than 50 per cent. of income directly or indirectly from activities which lead to investment income and the foreign tax burden on the income of the company paying the dividend is substantially lower than the Cypriot corporate tax rate. Assuming the dividends received by the Cypriot company from Russia, Tajikistan and Turkmenistan originate from profits which have been taxed at an effective tax rate of at least 5 per cent. such dividends will be exempt in Cyprus for Defence tax purposes.

Interest received from the Russian, Tajikistan and Turkmenistan companies would be subject to tax at a rate of 10 per cent. in the Cypriot company.

Cyprus does not levy any withholding tax on dividends or interest paid out from a Cypriot company.

## 3. **Investors**

### (a) *Taxation of dividends on Ordinary Shares*

Holders of Ordinary Shares will receive dividends without deduction of Isle of Man income tax. UK resident individual holders of Ordinary Shares will be liable to income tax on the dividends received. UK-resident non-domiciled individuals will only be taxed on Isle of Man dividends to the extent that they remit them to the UK. Isle of Man resident holders of Ordinary Shares will (subject to their individual circumstances) be liable to Isle of Man income tax on dividends received.

No UK tax credit will be attached to dividends received by holders of Ordinary Shares. UK resident corporate holders of Ordinary Shares will be liable to corporation tax on dividends received from the Company.

Although dividends may be paid without deduction of Isle of Man income tax, the Company will, on making payment of a dividend or distribution to a person resident in the Isle of Man, be required to furnish such particulars of it as the Assessor of Income Tax may require, including the name and address of the recipient, the gross amount distributed and the date of such distribution.

### (b) *Taxation of capital gains*

The Company should not as at the date of this document be treated as an "offshore fund" for the purposes of UK taxation. Accordingly, the provisions of sections 757 to 764 of the Income and Corporation Taxes Act 1988 (the "Taxes Act") should not apply. Any gains on disposals by UK resident or ordinarily resident holders of Ordinary Shares may, depending on their individual circumstances, give rise to a liability to UK taxation on capital gains. Holders of Ordinary Shares will not suffer any liability to capital gains tax in the Isle of Man.

(c) ***Stamp duty and stamp duty reserve tax (“SDRT”)***

The following comments are intended as a guide to the general stamp duty and SDRT legislation and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply. No Isle of Man or UK stamp duty, or SDRT, will be payable on the issue of the Ordinary Shares. UK stamp duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the Ordinary Shares executed within, or in certain cases brought into, the UK. Provided that the Ordinary Shares are not registered in any register of the Company kept in the UK, any agreement to transfer the Ordinary Shares will not be subject to UK SDRT. In the event of the death of a sole holder of Ordinary Shares, an Isle of Man grant of probate or administration may be required in respect of which certain fees will be payable to the Deeds and Probate Registry in the Isle of Man.

(d) ***Other United Kingdom tax considerations***

The attention of individuals ordinarily resident in the UK is drawn to the provisions of sections 739 to 745 of the Taxes Act. These sections contain provisions for preventing the avoidance of income tax under which the undistributed income and profits accruing to the Company may be attributed to such a shareholder and may (in certain circumstances) be liable to UK income tax in the hands of the shareholder.

As it is possible that the Company will be owned by a majority of persons resident in the UK, the legislation applying to controlled foreign companies may apply to any corporate holders of Ordinary Shares who are resident in the UK. Under these rules, part of any undistributed income accruing to the Company may be attributed to such a Shareholder, and may in certain circumstances be chargeable to UK corporation tax in the hands of the Shareholder.

This paragraph is applicable to **UK resident corporate** holders of Ordinary Shares **and individual Shareholders who** in addition to being resident or ordinarily resident in the UK, are also domiciled in the UK and their interest (when aggregated with persons connected with them) in the chargeable gains of the Company exceeds one-tenth. In the event that the Company would be treated as “close” if it were resident in the UK, then part of any chargeable gain accruing to the Company, or any of its subsidiaries, may be attributed to such a Shareholder and may (in certain circumstances) be liable to UK tax on capital gains in the hands of the Shareholder.

(e) ***European Union Taxation of Savings Income Directive***

On 3 June 2003, the European Commission published a new directive (EC Directive 2003/48/EC) (the “Directive”) regarding the taxation of savings income. The Isle of Man is not subject to the Directive but has announced that in order to honour political commitments to introduce “same measures” as within the European Union, it has implemented equivalent measures from 1 July 2005. Hence interest and equivalent returns on savings paid to European Union resident individuals will be subject to withholding tax. The rate of tax will start at 15 per cent., increase to 20 per cent. from July 2008 and rise to 35 per cent. from July 2011. It is intended that at the end of a transitional period the withholding tax will be replaced by automatic exchange of information. The Isle of Man regime allows European Union residents to opt out of the retention tax, but it is up to the paying agent to decide whether to give clients this option, by authorising disclosure of information to their European Union home state authority.

Distributions to Shareholders by the Company and income realised by Shareholders in relation to the Ordinary Shares, should not constitute interest payments for the purposes of the retention tax system and therefore neither the Company nor any paying agent appointed by them in the Isle of Man is obliged to levy retention tax in the Isle of Man under these provisions in respect thereof.

Investors should contact their own professional Advisers if more details are required regarding the potential implications of this Directive.

## PART 5

### ADDITIONAL INFORMATION

#### 1. Responsibility statement

- 1.1 The Company and the Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and 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.

#### 2. The Company and its subsidiaries

- 2.1 The Company was incorporated with limited liability in the Isle of Man on 3 April 2007 as a public company limited by shares under the Isle of Man Law, with registered number 119384C. The Company is domiciled in the Isle of Man.
- 2.2 The address of the registered office of the Company is IOMA House, Hope Street, Douglas, IM1 1AP, Isle of Man, and its telephone number is +44 1624 681 250. Its website address is www.taucapitalplc.com.
- 2.3 It is intended that the Company's principal activity will be that of holding company of the Fund, whose principal activity will be investing in the oil and gas exploration and production, metals and mining, transport and logistics, consumer-related, telecommunications, financial services and business services in Kazakhstan and the Investment Countries.
- 2.4 The Company has (or will on Admission have) the following subsidiary:

<i>Subsidiary</i>	<i>Country of Incorporation</i>	<i>Activity</i>	<i>Percentage ownership</i>
Tau Cayman Limited	Cayman Islands	General partner of the Fund	100 per cent.

- 2.5 Save for the entry into of the material contracts summarised in paragraph 11 of this Part 5 and certain non-material contracts, since its incorporation the Company has not carried any business.

#### 3. The Directors

The Directors of the Company are:

<i>Name</i>	<i>Function</i>	<i>Age</i>	<i>Date of Appointment</i>
Philip Lambert	Chairman and Independent Non-Executive Director	61	11 April 2007
Richard Horlick	Non-Executive Director	48	11 April 2007
Almas Chukin	Non-Executive Director	46	11 April 2007
Robert Brown, III	Independent Non-Executive Director	60	11 April 2007
Philip Scales	Independent Non-Executive Director and Company Secretary	57	3 April 2007

all of the Registered Office.

Further details relating to the Directors are disclosed in paragraph 8 below.

#### 4. Share and loan capital

- 4.1 On incorporation, the authorised share capital of the Company was £2,000 comprising 200,000 Ordinary Shares of £0.01 each. The issued share capital was £0.02 comprising two Ordinary Shares. Those two Ordinary Shares have been issued, credited as fully paid, to the subscribers to the Memorandum of Association. On 30 April 2007, one of the Ordinary Shares issued to a subscriber was transferred to SHCM and the other Ordinary Share was transferred to CAM.

- 4.2 By resolutions passed on 2 May 2007 it was resolved conditional on Admission, that:
- 4.2.1 the Company increase its share capital by the addition of £3,500,000 divided into 350,000,000 ordinary shares of £0.01 each, to rank *pari passu* with the existing issued and unissued share capital of the Company;
  - 4.2.2 the Company adopt new articles of association in the form of the Articles;
  - 4.2.3 the directors of the Company be authorised to allot up to 250,000,000 ordinary shares of £0.01 each in the capital of the Company for cash in connection with the conditional Placing Agreement upon the admission of the share capital of the Company to trading on AIM;
  - 4.2.4 the directors of the Company be authorised to allot 1,000,000 ordinary shares of £0.01 each in the capital of the Company in consideration for the provision of services by Philip Lambert and Robert Brown, III pursuant to their letters of appointment as non-executive directors;
  - 4.2.5 following, and conditional upon, the issue of the Placing Shares, the directors of the Company be authorised to allot ordinary shares of £0.01 each in the capital of the Company for cash up to a nominal sum of £25,000 in connection with an option to be granted to the Company's nominated adviser and broker;
  - 4.2.6 the directors of the Company be authorised to allot Ordinary Shares for cash up to an aggregate nominal sum of £250,000 representing approximately 10.0 per cent. of the Company's issued share capital following the issue of shares pursuant to sub-paragraphs 4.2.3 to 4.2.5;
  - 4.2.7 the Company generally be and is hereby authorised for the purposes of Section 13 of the Companies Act 1992 to make market purchases (as defined in Section 13(2) of the said Act) of Ordinary Shares provided that:
    - (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 10 per cent. of the Company's issued share capital following the issue of Ordinary Shares pursuant to sub-paragraphs 4.2.3 to 4.2.5;
    - (b) the minimum price which may be paid for such Ordinary Shares is the nominal amount thereof;
    - (c) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be 5 per cent. above the average of the middle market quotations taken from the London Stock Exchange's FTSE AIM All-Share Index for the five business days before the purchase is made;
    - (d) the authority hereby conferred shall (unless previously renewed or revoked) expire on the earlier of the next annual general meeting of the Company and the date which is eighteen months after the date on which this resolution is passed;
    - (e) the Company may make a contract to purchase its own Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its own Ordinary Shares in pursuance of any such contract;
  - 4.2.8 subject to the confirmation of the Isle of Man High Courts in accordance with section 56 of the Companies Act 1931, all amounts standing to the credit of the share premium account of the Company following (i) the closing of the Placing and (ii) the payment of the expenses and commissions associated with the Placing as permitted by section 46 of the Companies Act 1931, be cancelled and reclassified as a distributable reserve of the Company; and
  - 4.2.9 any one director (or, if necessary, any two directors) and/or the secretary of the Company be authorised to do all acts, matters and things and negotiate, agree, amend, sign, execute (with or without the affixing of the common seal), date and deliver all agreements, deeds, contracts, notices, forms, certificates, returns and other documents of every description which any such person(s) may consider to be necessary, desirable or incidental in relation to all or any of the matters referred to in this composite special resolution.

4.3 250,000,000 new Ordinary Shares are to be allotted and issued pursuant to the Placing. The Placing Shares are denominated in Sterling. It is anticipated that the Placing Shares will be allotted on 3 May 2007, conditional upon Admission and then issued on Admission. Admission is expected to take place on 9 May 2007. The Company's ISIN is IM00B1VVFG94 and its ticker name is "TAU".

4.4 There are no provisions of Isle of Man law equivalent to sections 89 to 96 of the Act which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash or otherwise but pre-emption rights (with certain exceptions) have been incorporated into the Articles together with a disapplication of such pre-emption rights in relation to allotments of equity shares equating to a nominal value of £250,000. The Articles are summarised in paragraph 7 below.

4.5 At the date of this document the authorised and issued fully paid share capital of the Company is:

<i>Class of shares</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>£</i>	<i>No.</i>	<i>£</i>	<i>No.</i>
Ordinary Shares	3,502,000	350,200,000	0.02	2

4.6 The authorised and issued fully paid share capital of the Company immediately following Admission will be as follows (on the assumption that the Placing is fully subscribed):

<i>Class of shares</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>£</i>	<i>No.</i>	<i>£</i>	<i>No.</i>
Ordinary Shares	3,502,000	350,200,000	2,510,000.02	251,000,002

4.7 The authorised but unissued share capital of the Company immediately following Admission will be £1,001,999.98 representing approximately 28.6 per cent. of the Company's authorised share capital (on the assumption that the Placing is fully subscribed).

4.8 Neither the Company (nor any of its subsidiaries, nor any party on the Company's behalf) holds any shares in the Company.

4.9 The Company has no outstanding convertible securities, exchangeable securities or securities with warrants.

4.10 Save as set out in paragraph 4.14 below, there are no relevant acquisition rights or obligations over the Company's authorised but unissued capital or undertakings to increase the Company's issued share capital.

4.11 The Company does not have in issue any listed or unlisted securities not representing share capital.

4.12 Save as disclosed in this paragraph 4, there has been no issue of share or loan capital of the Company since its incorporation and all issued shares have been fully paid.

4.13 Save as disclosed in paragraph 10 below, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company since its incorporation.

4.14 Other than pursuant to the Placing Agreement and the Numis Option Deed, on Admission no share or loan capital of the Company will be under option or will be agreed conditionally or unconditionally to be put under option.

4.15 Other than pursuant to the Placing, none of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.

4.16 The Placing Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Placing Shares not to be held through CREST will be posted to allottees within ten business days of Admission. Placing Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling

securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles, which have been adopted (conditional on Admission), permit the holding of Ordinary Shares in CREST.

- 4.17 The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares including (without limitation to the generality of the foregoing) in relation to voting rights and the right to receive all dividends or other distributions declared, paid or made after Admission.
- 4.18 There have been no public takeover bids by third parties for all or any part of the Company's equity share capital since the Company's incorporation.
- 4.19 Numis has agreed to use its reasonable endeavours, as agent for the Company, and SHCM and CAM have agreed to use their reasonable endeavours as sub-agent to Numis, to procure in aggregate institutional investors to subscribe for 165,900,000 Placing Shares at the Placing Price, which will represent approximately 66.1 per cent. of the enlarged issued ordinary share capital of the Company following Admission. On the basis that Shareholders prior to the Placing do not participate in the Placing which is open to institutional investors only, the Placing will represent an immediate dilution of such Shareholders of virtually 100 per cent.

## **5. Isle of Man**

- 5.1 The Isle of Man is an internally self-governing dependent territory of the British Crown. It is politically and constitutionally separate from the UK and has its own legal system and jurisprudence based on English common law principles. The UK Government is, however, responsible for the Isle of Man's foreign affairs and defence and, with the Isle of Man's consent, the UK Parliament may legislate for the Isle of Man in some areas of common concern (such as nationality and immigration matters).
- 5.2 The Isle of Man's relationship with the European Union is set out in Protocol 3 of the Act of Accession annexed to the Treaty of Accession 1972, by virtue of which the UK became a member of the European Community. The Isle of Man is neither a member state nor an associate member of the European Community. By virtue of Protocol 3, the Isle of Man is part of the customs territory of the EU. Therefore the common customs tariff, levies and other agricultural import measures apply to trade between the Isle of Man and non-member countries. There is free movement of goods and agricultural products between the Isle of Man and the EU, but the EU provisions which relate to trade in financial services and products and those in respect of the free movement of persons, services and capital do not apply to the Isle of Man. Consequently, European Community law has direct application to the Isle of Man only for very limited purposes.

## **6. Corporate law in the Isle of Man**

- 6.1 Isle of Man company law is largely based on that of England, although Isle of Man and English company law differ in certain areas. The principle legislation is the Isle of Man Companies Act 1931 (which is modelled on the Act of Parliament of the same name passed in 1929) although a number of subsequent amending and supplementary Acts have been passed since 1931. Whilst there are many similarities, differences between Isle of Man companies incorporated under the Isle of Man Companies Acts 1931 to 2004 and English companies incorporated under the English Companies Act 1985 (the "English Companies Act") include the following:

- (a) ***Allotment of Shares***

Isle of Man law does not contain provisions equivalent to section 80 of the English Companies Act (Authority of company required for certain allotments). The general position under Isle of Man law is that the directors of a Manx company have authority to allot and issue un-issued shares in the capital of that company.

In addition, Isle of Man law does not contain a provision equivalent to section 103 of the English Companies Act (Non-cash consideration to be valued before allotment).

(b) ***Bearer Shares***

An Isle of Man company is not permitted to issue share warrants to bearer.

(c) ***Directors***

An Isle of Man company must have at least two directors and all directors must be individuals and not bodies corporate.

(d) ***Disclosure of Interests***

There is currently no requirement under Isle of Man law for a company to keep a register of substantial interests in its voting shares. Part VI of the English Companies Act (Disclosure of Interests in Shares) is also not replicated in Isle of Man law.

(e) ***Distributable Profits***

The provisions of Part VIII of the English Companies Act (Distribution of Profits and Assets) have not been reproduced in the Isle of Man. Accordingly, the old common law principles established in English case law prior to the introduction of those statutory provisions will determine whether any profits of the Company are distributable under Isle of Man law.

(f) ***EGM Short Notice***

The provisions of sub-sections 369(3) and (4) of the English Companies Act have not been replicated under Isle of Man law. Accordingly, the prudent approach is to assume that meetings may only be validly held on short notice with the consent of all the members entitled to attend and vote thereat.

(g) ***Financial Statements***

There are no provisions in Isle of Man law entitling a company to send “summary financial statements” to its shareholders in lieu of full statutory accounts. Accordingly, a printed copy of the full statutory accounts must be sent to each Shareholder prior to the Company’s annual general meeting.

## **7. Memorandum and articles of association**

### **7.1 *Memorandum of Association***

The 1986 Act removed the need for the objects of a company incorporated in the Isle of Man after 1 June 1988 to be set out in the Memorandum of Association of the company, by providing that the company has, subject to the 1986 Act, the capacity and the rights, powers and privileges of an individual. As the Company is a company which was incorporated in the Isle of Man after 1 June 1988, the objects of the company are not set out in its Memorandum of Association but, pursuant to the 1986 Act, the Company has the capacity and, subject to the 1986 Act, the rights, powers and privileges of an individual.

The Memorandum of Association of the Company does not set out any restrictions on the exercise of the rights, powers and privileges of the Company.

### **7.2 *Articles of Association***

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

#### *Variation of rights*

Subject to the provisions of the Isle of Man Law, if at any time the share capital of the Company is divided into shares of different classes any of the rights for the time being attached to any share or class of shares in the Company (and notwithstanding that the Company may be or be about to be in liquidation) may (unless otherwise provided by the terms of issue of the shares of that class) be varied

or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as provided in the Articles. This paragraph shall apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class the separate rights of which are to be varied. Subject to the terms of issue or the rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the Board resolving that a class of shares is to become or cease to be a share or class of shares or a renounceable right of allotment of a share, title to which is permitted to be transferred by means of a relevant system in accordance with the Uncertificated Regulations.

#### *Alteration of capital*

The Company in general meeting may from time to time by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (b) consolidate and/or divide, re-designate or convert all or any of its share capital into shares of larger or smaller nominal amount, or into different classes of shares than its existing shares;
- (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (d) subject to the provisions of the Isle of Man Law, sub-divide its shares or any of them into shares of smaller nominal value than is fixed by the Memorandum of Association of the Company and may by such resolution determine that as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares but so that the proportion between the amount paid up and the amount (if any) not paid up on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived.

Subject to the provisions of the Isle of Man Law and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any undistributable reserve in any manner.

Subject to the provisions of the Isle of Man Law and to any rights for the time being attached to any shares, the Company may enter into any contract for the purchase of any of its own shares of any class (including any redeemable shares) and any contract under which it may, subject to any conditions, become entitled or obliged to purchase all or any of such shares. Any shares to be so purchased may be selected in any manner whatsoever provided that if at the relevant date proposed for approval of the proposed purchase there shall be in issue any shares of a class entitling the holders to convert into equity share capital of the Company then no such purchase shall take place unless it has been sanctioned by a special resolution passed at a separate general meeting (or meetings if there is more than one class) of the holders of the class of convertible shares.

#### *Transfer of shares*

Each member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board or in the case of uncertificated shares with a written instrument in accordance with the Uncertificated Regulations. Any written instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Company's register of members as the holder of the share.

No transfer of any share shall be made:

- (a) to a minor; or
- (b) to a bankrupt; or
- (c) to any person who is, or may be, suffering from mental disorder and either:
  - (i) has been admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 (an Act of Parliament) or any similar statute relating to mental health (whether in the United Kingdom, the Isle of Man or elsewhere); or
  - (ii) an order has been made by any court having jurisdiction (whether in the United Kingdom, the Isle of Man or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs

and the Directors shall refuse to register the purported transfer of a share to any such person.

The Board may in its absolute discretion and without giving any reason refuse to register any transfer of a certificated share unless:

- (a) it is in respect of a share which is fully paid up;
- (b) it is in respect of a share on which the Company has no lien;
- (c) it is in respect of only one class of shares;
- (d) it is in favour of a single transferee or not more than four joint transferees;
- (e) it is duly stamped (if so required); and
- (f) it is delivered for registration to the registered office of the Company for the time being, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer where a certificate has not been required to be issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so,

provided that the Board's discretion may not be exercised in such a way as to prevent dealings in the shares from taking place on an open and proper basis.

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the Board may from time to time determine (subject to the Uncertificated Regulations in the case of any shares of a class which is a Participating Security as defined below). Notice of closure of the register of members of the Company shall be given in accordance with the requirements of the Isle of Man Law.

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a share or class of shares or a renounceable right of allotment of a share ("Participating Security"), title to which is permitted to be transferred by means of a relevant uncertificated system in accordance with the Uncertificated Regulations, held in uncertificated form in accordance with the Uncertificated Regulations, except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the Uncertificated Regulations.

### *Dividends*

Subject to the provisions of the Articles, the Company may by ordinary resolution declare that out of profits available for distribution in accordance with Isle of Man law dividends be paid to members according to their respective rights and interests in the profits of the Company available for distribution. However, no dividend shall exceed the amount recommended by the Board. There is no fixed date on which an entitlement to dividend arises.

### *Suspension of rights*

The Board may at any time serve a notice (“Information Notice”) upon a member requiring the member to disclose to the Board in writing within such period (being no less than ten days and not more than thirty days) as may be specified in the notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the member’s name. If a member has been issued with an Information Notice and has failed in relation to any shares the subject of the Information Notice (“relevant shares”) to furnish any information required by such notice within the time period specified therein, then the Board may at any time following fourteen days from the expiry of the date on which the information required to be furnished pursuant to the relevant Information Notice is due to be received by the Board, serve on the relevant holder a notice (in this paragraph called a “disenfranchisement notice”) whereupon the following sanctions shall apply:

(a) *Voting*

the member shall not with effect from the service of the disenfranchisement notice be entitled in respect of the relevant shares to be present or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) *Dividends and transfers*

where the relevant shares represent at least 0.25 per cent. in nominal value of their class:

- (i) any dividend or other money payable in respect of the relevant shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend; and
- (ii) subject in the case of uncertificated shares to the relevant Uncertificated Regulations, no transfer, other than an approved transfer, of any relevant shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member provides to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

### *Return of capital*

If the Company is wound up, the surplus assets remaining after payment of all creditors are to be divided among the members in proportion to the capital which at the commencement of the winding up is paid up on the shares held by them respectively and, if such surplus assets are insufficient to repay the whole of the paid up capital, they are to be distributed so that as nearly as may be the losses are borne by the members in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively, subject to the rights attached to any shares which may be issued on special terms or conditions.

If the Company is wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members *in specie* the whole or any part of the assets of the Company and may for that purpose value any assets and determine how

the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to Section 222 of the Isle of Man Companies Act 1931. The liquidator may with the like sanction vest the whole or any part of the whole of the assets in trustees on such trusts for the benefit of the members as he with the like sanction shall determine but no member shall be compelled to accept any assets on which there is a liability.

A special resolution sanctioning a transfer or sale to another company duly passed pursuant to Section 222 of the Isle of Man Companies Act 1931 may in the like manner authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by the said section.

#### *Pre-emption rights*

There are no statutory pre-emption rights under Isle of Man Law. Such rights are therefore embodied in the Articles as follows:

- (a) Unless the Company shall by special resolution otherwise direct, unissued shares in the capital of the Company shall only be allotted for cash in accordance with the following provisions:
  - (i) all shares to be allotted (the “offer shares”) shall first be offered to the members of the Company in proportion to their existing holdings of shares (the “offer”);
  - (ii) the offer shall be made by written notice (the “offer notice”) from the Directors specifying the number and price of the offer shares and shall invite each member to state in writing within a period, not being less than 14 days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;
  - (iii) at the expiration of the time specified for acceptance in the offer notice the Directors shall allocate the offer shares to or amongst the members who shall have notified to the Directors their willingness to take any of the offer shares but so that no member shall be obliged to take more than the maximum number of shares notified by him;
  - (iv) if any offer shares remain unallocated after the offer, the Directors shall be entitled to allot, grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the members.
- (b) The provisions set out in paragraph (a) above shall not apply with respect to the allotment of any shares for a consideration other than cash, and, accordingly, the Directors may allot or otherwise dispose of any unissued shares in the capital of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit.

#### *Borrowing powers*

Subject to the other provisions of the Articles and to the Isle of Man Law, the Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital or any part or parts 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.

#### *Director's Interests, Fees and Indemnity*

A Director who to his knowledge is in any way (directly or indirectly) interested in any contract, arrangement, transaction or proposal with the Company shall declare the nature of his interest at the

meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

Except as provided below, a Director shall not vote on or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any proposal whatsoever to which the Company is or is to be a party and in which he has (directly or indirectly) an interest which is material (other than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company) or a duty which conflicts with the interests of the Company unless his duty or interest arises only because the resolution relates to one of the matters set out in the following sub-paragraphs in which case he shall be entitled to vote and be counted in the quorum:

- (a) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (b) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries 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) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (d) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 198 to 211 of the Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (e) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (f) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

An interest of a person who is, for any purpose of the Isle of Man Law (excluding any such modification thereof not in force when the Articles became binding on the Company), connected with a Director shall be treated as an interest of the Director and, in relation to an alternate Director, an interest of his appointor shall be treated as an interest of the alternate Director without prejudice to any interest which the alternate Director otherwise has.

A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested. Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment or termination) of two or more Directors to offices or places of profit with the Company or any company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Directors (other than alternate directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine (not exceeding £400,000 per annum or such other sum as the Company in general meeting shall from time to time

determine). Executive Directors may be paid money in addition to any fee payable to him for his services as a Director. Each Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as a Director.

Subject to the Isle of Man Law, but without prejudice to any indemnity to which he may otherwise be entitled, every Director, alternate Director, secretary or other officer of the Company (other than an auditor) shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the actual or purported execution of his duties.

#### *General Meetings*

Subject to the provisions of the Isle of Man Law, annual general meetings shall be held at such time and place as the Board may determine.

All general meetings other than annual general meetings, shall be called extraordinary general meetings.

The Board may convene an extraordinary general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to section 113 of the Companies Act 1931) no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the Isle of Man sufficient members of the Board to convene a general meeting, any Director or any member of the Company may call a general meeting.

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a Director or (save as provided by the Companies Act 1931) a resolution of which special notice has been given to the Company shall be convened by not less than 21 clear days' notice in writing. Other extraordinary general meetings shall be convened by not less than 14 clear days' notice in writing. Notwithstanding that a meeting is convened by shorter notice than that specified in this paragraph, it shall be deemed to have been properly convened if it is so agreed by all the members entitled to attend and vote at the meeting.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business but the absence of a quorum shall not preclude the choice or appointment of a Chairman which shall not be treated as part of the business of the meeting. Subject to the provisions of the Articles, two persons entitled to attend and to vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, shall be quorum. If within 15 minutes (or such longer interval not exceeding one hour as the Chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such a quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such time and place as the Chairman (or, in default, the Board) may determine, being not less than 14 nor more than 28 days thereafter. If at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting one member present in person or by proxy or (being a corporation) by a duly authorised representative shall be a quorum. If no such quorum is present or, if during the adjourned meeting a quorum ceases to be present, the adjourned meeting shall be dissolved. The Company shall give at least seven clear days' notice of any meeting adjourned through lack of quorum (where such meeting is adjourned to a day being not less than 14 nor more than 28 days thereafter).

## **8. Directors' and other interests**

- 8.1 The interests (all of which are beneficial) of the Directors and their immediate families and, so far as is known to the Directors or could with reasonable diligence be ascertained by them, persons connected with them (within the meaning of section 346 of the Act) which if the connected person were a Director would otherwise be disclosed pursuant to this paragraph, in the share capital of the Company as at the date of this document and on Admission, are or are expected to be as follows:

	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital*</i>
<i>Director</i>				
Philip Lambert	–	–	500,000	0.2
Richard Horlick	–	–	5,000,000	1.99
Almas Chukin	–	–	–	–
Robert Brown, III	–	–	500,000	0.2
Philip Scales	–	–	–	–

\* On the basis that the Placing is fully subscribed.

- 8.2 The Company is aware of the following person(s) who will, as at the date of the publication of this document or immediately following Admission, be interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company:

<i>Person</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital*</i>
CAM	1	50	1	–
J Rothschild Group**	–	–	20,000,000	7.97
SHCM	1	50	1	–
VISOR	–	–	10,000,000	3.98
Aegon Asset Management UK plc	–	–	20,000,000	7.97
Bluecrest Capital Management Limited	–	–	25,000,000	9.96
Credit Suisse (UK) Limited	–	–	10,000,000	3.98
Credit Suisse Securities (Europe) Limited	–	–	20,000,000	7.97
Henderson Global Investors Limited	–	–	25,000,000	9.96
Jupiter Asset Management Ltd	–	–	28,000,000	11.16
Marble Bar Asset Management LLP	–	–	8,000,000	3.19
Marshall Wace LLP	–	–	12,500,000	4.98
MPC Investors Limited	–	–	13,000,000	5.18
Talisman Global Asset Management Ltd	–	–	10,000,000	3.98

\* On the basis that the Placing is fully subscribed.

\*\* J Rothschild Group is deemed to be interested in the Ordinary Shares held by Citigroup Global Markets Limited (3.98 per cent.) and First Arrow Investment Management Limited (3.98 per cent.).

- 8.3 Save as disclosed in paragraph 8.2 above, the Company is not aware of any person who will, as at the date of the publication of this document or immediately following Admission, be interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.
- 8.4 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 8.5 Save in respect of the Management Agreement and the Carried Interest Partnership Agreement, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Company and which were effected by any member of the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 8.6 The persons, including the persons referred to in paragraphs 8.1 and 8.2 of this Part 5, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other Shareholder of the Company.

8.7 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Philip Lambert	Robeco Group N.V. Robeco N.V. Rolinco N.V. Rorento N.V.	Providentie Trust B.V. Unidis Sixty Limited Unilever UK Supplementary Pension Fund Trustee Limited Unilever Pension Trust Limited Unilever International Pension Plan Association D'Epargne Pension
Richard Horlick	Schroder Investment Management North America Inc. Pacific Assets Trust Public Limited Company Spencer House Capital Management	Schroder Investment Management (UK) Limited Schroder Investment Management Limited Schroder Investment Management North America Limited Schroder Property Investment Management Limited Schroder plc Schroder Investment Management Association
Almas Chukin	JSC Compass Asset Management Halyk Bank (Kazakhstan) JV Key Centuiry (Kazakhstan) VISOR Holding LLP	Kazahk Compass Fund, Ltd (Bermuda) Compass Kazakhstan Ltd (Cayman Islands) Compass Asset Management Ltd. (Cayman Islands) JSC Temir Banki (Kazakhstan)
Robert Brown, III	Nordman Investments Limited Rambler Media Limited Lehman Brothers Capital Partners I LP Lehman Brothers Capital Partners II LP Chilton Investment Partners LP	Pet Quarters, Inc. Reagan Partners LP
Philip Scales	A&M Overseas Limited (BVI) ACE Dunfermline Limited ACE East Grinstead Limited ACE (Four) Limited ACE Hartlepool Retail Limited ACE (One) Limited ACE Peterborough Limited ACE Reading Limited ACE (Three) Limited ACE (Two) Limited ACE Winchester Limited Atlal Limited Bamboo Investments (Isle of Man) plc Bargain Hunter Fund plc Birmingham Brindleyplace (General Partner) Limited (UK) Birmingham Brindleyplace Capital (General Partner) Limited (UK) Buskett Limited Chip (Five) Limited Chip (Four) Limited Chip (One) Limited Chip (Seven) Limited Chip (Six) Limited Chip (Three) Limited Chip (Two) Limited Clean Energy Asia Limited Clean Energy Brazil Plc Climate Exchange plc Close High Income Properties plc Closepip ISA and PEP Plc Dawnay, Day Carpathian plc Dayem Limited EmCo Capital plc EPIC Finance Company Limited EPIC Securities plc Faris Limited Frontier Commercial Property Fund plc	ACE Dunfermline Limited ACE East Grinstead Limited ACE (Four) Limited ACE Hartlepool Retail Limited ACE Milton Keynes Limited ACE (One) Limited ACE Peterborough Limited ACE Reading Limited ACE (Two) Limited ACE (Three) Limited ACE Winchester Limited Achille Boroli Limited Active Commercial Estates Limited Active Commercial Estates plc Al Badour investment Group Limited Alfaman Holdings Limited Ambridge Nominees Limited Amil (Isle of Man) Limited Annisfield Limited Apoca Limited Applecross Limited Armier Limited Armstrong Investments Limited ASA Consultants (Isle of Man) Limited Attard Limited Aurum Investments Limited Badran Co Limited Ballinamore Limited Balzan Limited Ballyward Limited Barcia Fine Arts Limited Barfield Nominees (IOM) Limited Barnalswick Limited Bathgate Retail Park Investments Limited BCEC I Limited BCEC II Limited BCEC III Limited BCEC IV Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Philip Scales (continued)	Frontier Fund plc Frontier Global Real Estate Fund plc Frontier Global Stars Fund plc FUP Bristol Lincoln Limited FUP Liverpool 2 Limited G.J. Events Limited Gulf Development & Finance Limited Haiser Limited (BVI) Hammy Limited Healthcare & Leisure Property Fund plc Hindle Limited Irudnay (IOM) Limited Lincoln Land Germany Plc Manchester Square (General Partner) Limited (UK) Mediterranean Marine (IOM) Limited Neville James Secure Capital Growth Fund plc Neville James Zero Preference Fund plc Oublette Limited Paternoster Holdings Limited Paternoster Limited Property Investment Portfolio plc Qabila Limited Quartet Nominees Limited (UK) Quartet (One) Limited Quartet (Two) Limited (UK) Sardinella Limited SEIF (IOM) Limited SEIF Global Limited SEIF Limited SEIF Limited(BVI) SEIF Services Limited (BVI) SEIF Services (IOM) Limited Seraphim Capital plc St James' Park Group Limited Stockwell Capital Investments Plc Tipton Limited Tatlow Limited Tenanted Inn Estates plc TEP Asia Limited TEP Trading 1 Limited TEP Trading 2 Limited The Active Commercial Estates plc The Capital Appreciation Trust Plc The Equity Partnership Investment Company plc The Golden Jubilee Trust Tiff Investments Limited (BVI) Top Developments plc Trading Emissions (Isle of Man) Limited Trading Emissions plc Trinity Capital plc	BCP Birmingham Limited BCP City Gate Limited BCP One Limited BCP Two Limited BCP Three Limited BCP Wolverhampton Limited Beresford Overseas Limited Berkshire UK Industrial Properties (Isle of Man) plc Biscoe Limited Blue Arch Limited Bluegrass Investments Limited Bonsall Limited Borchester Limited Bressenden Limited Bretnor Limited Brettonwood Limited Brindleyplace (Inc) Nominees Limited Brindleyplace (Cap) Nominees Limited British Cable & Optical Fibres Limited Bruno Limited Bunbury Limited Burnham Properties Limited Business Angels Investments Limited Business Centre Properties plc Buskett Limited Callowhill Limited Captiva Investments Limited Cardale Limited Casolam Limited Castellucio (One) Limited Casterton Limited Champion Limited Cherwell Limited Chesero Limited Chip (Ipswich) One Limited Chip (Ipswich) Two Limited Choice Investments Limited Cledford Limited Closepip ISA and PEP plc Close Property Management (Isle of Man) Limited Clough Road Hull Investments Limited Coleshill Limited Coltag Limited Columb Limited Colunas Limited Colwall Limited Como Investments Limited Concord Advisory Services Limited (BVI) Concord Consultant Services Limited (BVI) Concord International Partners Limited Concord National Investments Limited Consultores Management Company Limited Continental Corporate Opportunities Limited CRC Limited Crumpsall Limited Curdalworth Limited Darland Limited Dawnay, Day Carpathian plc Delphburn Limited Derivatives Capital Management Limited DFA Limited Diamond Investments (Overseas) Limited (Cyprus) DIL Dortmund Investors Limited Dolphin Fund plc Drakes Way Investments Limited Drava Limited Dukkara Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Philip Scales (continued)		Eastchurch Limited Eccleshall Limited EPIC Reconstruction Property Company (IOM) Limited EPIC Select Opportunities Investment Company plc EPIC Structured Finance Limited EPIC Student Accommodation plc EPS Finance Limited (BVI) EPS Finance (IOM) Limited Equest Balkan Properties Limited ER Limited ER Investments Limited Erandel Holdings Limited (BVI) ESN-Leader Capital Carried Interest Partner Limited ESN-Leader Capital General Partner Limited Evidental Limited Explorer Investments Limited Felpersham Limited Fenstock Limited Ferfil Limited Fieldsons Limited First Assured Rental Growth plc Fisher Limited Fixed Uplift Properties plc Flosshilde plc Flyford Limited Fort Administration Limited Foundations Programme plc Foxgrove Limited FPA Limited Fraser (Isle of Man) Limited Freshford Limited Fringebar Properties Limited FUP Bristol Lincoln Limited FUP Liverpool 2 Limited Gallectica Enterprises Limited Galleone Investments Limited Gardenia Limited Garthewin Limited Gemms Cap Limited Geryon Limited Glaisdyke Limited Glengarry Limited Greenwich Limited Greenlaw Limited Guasta Arts Limited Gyda Limited Hackman Limited Hajira Limited Haiser Limited Hampshire Holdings Limited Harboro Limited Hardcastle Investments Limited Havenport Limited Heatherstone Limited Heathwaite Limited Hebatco Investments Limited Higson Limited Hollywest Limited Hollywood Green Investments Limited Holmer Limited Horizons Court Brentford Limited Hovey Limited Human Development Trademarks Limited Hurumzi Limited I.H. Business Development Co. Limited Indiahold Limited (BVI)

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Philip Scales (continued)		International Fund Managers (Isle of Man) Limited Invenium Limited I.T. Ventures – Concord Misr (BVI) Limited (BVI) Jenigma Holdings Limited Kallina Limited Kenelm Limited Kittery Limited Koby Limited Kreon plc Laffan Limited Land Investments plc Land Investments (One) Limited Lanlerne Limited La Rocca Investments Limited Lavan Limited Laxmi Limited Ledson Limited Lesimo Limited Lighthouse Estate Limited Linehall Limited Livingstone Limited LJMC Services Limited Lochbroom Limited Loeven Limited London Scottish (2004) Limited London Scottish Re Limited Loresho Limited Manor Wood Limited Maroya Limited Marsascala Limited Mawgan Limited Meekland Holdings Limited Medlock Limited Medranow Limited Meg & Mog Rights Limited Mensual Limited Milbreck Limited Millbank Properties Limited Mistra Limited Monastir Limited Montalbano Gallery Limited Moorclose Limited Moore Holdings Limited Morgan Care Holdings Limited Mosta Limited Mullally Limited Narlin Limited Neville James Fund Managers Limited Northern Trust International Fund Administration Services (Isle of Man) Limited Northwich Investments Limited Omega Derivatives Capital Limited Omega (IOM) Limited Oublette Limited Overlord Limited Paisley Investments Limited Palmayra Limited Pan African Holdings Limited Paradise Investments Limited Peake Limited Pearlstone Limited (BVI) Pelorus Property plc PIE R&D Limited Pollett Limited Portobello Limited Poundsgate Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Philip Scales (continued)		Praesepe Limited Priyanka Limited (BVI) Property Investments Eleven Limited Quantinvest Limited Quantinvest Management Limited Quartet Commercial Properties plc Quartet Nominees Limited (UK) Quartet (One) Limited Quartet (Two) Limited (UK) Quartz Limited Radwell Limited Raines Limited Ramla Limited Ransley Limited Rassina Limited Rath Dhu Limited Red Lodge Limited Relax Investments Limited Relcon Limited Retford Limited Riameen Limited Ricasoli Limited Rinella Limited Rolla Associates Limited Royalton Investments Limited Rudy Limited Rush Limited Sachi Investment Company Limited Saint Isidore Limited Salthouse Limited Sarasota Limited Sardinella Limited Sardonyx Limited Sassoon Limited S/D Flats Limited Seaford Trading Company Limited Seaton Investment Limited (Liberia) Selmun Limited Senglea Limited Sepoint Limited Shefford Limited Shintillo Investments Limited Shire Park Welwyn Limited Skynet Limited SMC Consulting Limited Snelgrove Limited Snook Services Limited Snowforth Limited (BVI) Southfield Aircraft Limited Southfields Limited Speke Investments Limited Spinelle Limited St. Mary's Limited Standhall Limited Stonefold Limited Stovell Limited Stratford Limited Subrun Investments Limited Symi Limited TAMA (1993) Limited Taria Investments Limited Tarland Limited Tashkent Limited Tatlow Limited Telelink Swansea Investments Limited The Capital Appreciation Trust (Isle of Man) plc The Wych Cross Place Estate Company Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Philip Scales (continued)		TIE Midlands Limited TIE South East Limited TIE South West Limited TLT Investments Limited Tombstone Limited Traffic Limited Trimingham Limited Trimingham Limited (BVI) Trustforte Management Limited Tullmore Limited UVI Limited Vale Nominees Limited Valentia Enterprises Limited Valleyview (IOM) Limited VAM Limited VAM II Limited VAM III Limited VAM American Special Opportunities Limited VAM Funds plc VAM Growth Limited VAM Managed Funds plc VAM Protected STAR Limited Vela Co. Limited Ventura Limited Verdala Limited Versailles Properties Limited Vieville Limited Villocq Investments Limited Viscount Way Investments Limited Voller Limited Vumba Investments Limited Walderslade Limited Wardara Enterprises Limited Waymark Limited Weatherfield Limited Wellesley House Investments Limited Wellington House Investments Limited White Gables Limited Whitman Limited Willake Limited Wimbridge Limited Wintney Limited Wymouth Limited Yetminster Limited

- 8.8 None of the Directors has any unspent convictions in relation to indictable offences.
- 8.9 None of the Directors has been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies).
- 8.10 None of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors.
- 8.11 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 8.12 No asset of any Director has at any time been the subject of a receivership.
- 8.13 None of the Directors are or has been bankrupt nor made at any time an individual voluntary arrangement.

- 8.14 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 8.15 There are no outstanding loans granted by any member of the Company to any of the Directors nor has any guarantee been provided by any member of the Company for their benefit.

## 9. Directors' letters of appointment

- 9.1 No Director has a service contract with the Company, nor are any such contracts proposed. Each Director entered into a letter of appointment with the Company which provides for them to act as a Non-Executive Director of the Company.
- 9.2 Pursuant to such letters (a) Philip Lambert, as Chairman and Independent Non-Executive Director, will receive a fee of £20,000 for each US\$100 million raised in the Placing (rounded *pro rata* to the nearest US\$10 million of proceeds) together with Ordinary Shares equal to 0.2 per cent. of the total number of Placing Shares issued; (b) Robert Brown III as Independent Non-Executive Director, will receive a fee of £40,000 per annum and Ordinary Shares equal to 0.2 per cent. of the total number of Placing Shares issued; (c) Philip Scales, as Independent Non-Executive Director and Company Secretary will receive a fee of £10,000 per annum; and (d) Richard Horlick and Almas Chukin as Non-Executive Directors will receive no fee. The Company will also reimburse the Directors for all reasonable out of pocket expenses incurred by any of them exclusively in connection with the provision of their respective services as a non-executive Director of the Company. Each appointment is for an initial period of three years and is terminable on 90 days' notice by either party.
- 9.3 No remuneration has been paid (including benefits in kind) to the Directors up to the date of this document. It is estimated that the aggregate remuneration and benefits in kind payable to the Directors by members of the Company in respect of the current financial year (under the arrangements in force at the date of this document) will be approximately £110,000.
- 9.4 Other than the payment of benefits during the notice period set out above, the Directors' letters of appointment provide for no benefits upon termination of employment.
- 9.5 The expiration of each Director's current term of office, if applicable, and the period during which that Director has served in such office are as follows:

<i>Name</i>	<i>Expiration of Current Term</i>	<i>Date of Appointment</i>
Philip Lambert	11 April 2010	11 April 2007
Richard Horlick	11 April 2010	11 April 2007
Almas Chukin	11 April 2010	11 April 2007
Robert Brown III	11 April 2010	11 April 2007
Philip Scales	3 April 2010	3 April 2007

- 9.6 Richard Horlick, in his capacity as a limited partner in the Carried Interest Partnership, is entitled to certain amounts in relation to carried interest. For more information see paragraph 13 of Part 2 of this document.

## 10. Placing and lock-up arrangements

- 10.1 Under the Placing Agreement, Numis has agreed (conditionally, *inter alia*, on Admission taking place not later than 31 May 2007) as agents for the Company to use its reasonable endeavours to procure subscribers for the Numis Placing Shares at the Placing Price, or failing which to subscribe itself for the Numis Placing Shares at the Placing Price. In addition, the Cornerstone Investors have agreed to subscribe for the Cornerstone Investment Shares.

Under the Placing Agreement and subject to Admission occurring:

- 10.1.1 the Company has agreed to pay Numis a placing commission of 3 per cent. of the value at the Placing Price of the Numis Placing Shares together with any applicable VAT, as well as a corporate finance fee of £325,000;

10.1.2 the Company has agreed to pay the Investment Advisers a placing commission of 3 per cent. of the value at the Placing Price of the Investment Advisers Shares together with any applicable VAT; and

10.1.3 the Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains warranties and indemnities given by the Company, the Manager, the Investment Advisers and certain of the Directors to Numis as to the accuracy of the information contained in this document and other matters relating to the Company and its business. Numis is entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

10.2 Under the Sub-Placing Agreement SHCM and CAM have agreed (conditionally, *inter alia*, on Admission taking place not later than 31 May 2007) as agents for Numis to use their reasonable endeavours to procure subscribers for the Investment Advisers Shares at the Placing Price.

10.3 Under the Lock-up Agreement each Director, the Senior Managers and the Cornerstone Investors, other than Numis and Alliance Group, have undertaken to the Company and the Nominated Adviser that, except in certain limited circumstances as permitted by the AIM Rules (including acceptance of a general offer to holders of all the Ordinary Shares), (i) they will not dispose of any Ordinary Shares including any shares acquired after Admission for a period of 12 months following Admission and (ii) any disposal of Ordinary Shares within the six months following the first anniversary of Admission shall only be effected following consultation with the Nominated Adviser and shall be made on an orderly basis.

## **11. Material contracts**

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company since its incorporation and which are, or may be, material:

11.1 The Placing Agreement, details of which are set out in paragraph 10 above.

11.2 The Fund Partnership Agreement, pursuant to which the Company agreed to become a limited partner in the Fund.

Allocations of amounts received by the Fund from realised investments in Private Companies or Special Situations shall, if and to the extent directed by the Manager and provided that the Net Asset Value of the Company is greater than or equal to the Fund High Water Mark, be made in the following order:

- (a) first, 100 per cent. to the Company up to an amount that represents the Acquisition Cost of the relevant Private Companies Investment;
- (b) secondly, 100 per cent. to the Company until such allocations equal the Hurdle Return on the Acquisition Cost of the relevant Private Companies Investment; and
- (c) thereafter, 80 per cent. to the Company and 20 per cent. to the Carried Interest Partner.

Any monies so allocated to the Carried Interest Partner will be paid within 10 Business Days of the final determination of the NAV of the Company at 31 December in the year in which the relevant Private Companies Investment was realised by the Fund.

To the extent permitted by applicable law, none of the General Partner, the Manager or any liquidator of the Fund, nor their officers, directors, partners, employees, agents, consultants, associates or personnel, shall have any liability for any loss to the Fund or the Limited Partners howsoever arising in connection with the activities or services to be performed under or pursuant to the Fund Partnership Agreement, the Management Agreement or any other agreement under which any such party provides or agrees to provide services to or in respect of or on behalf of the Fund or which otherwise arise in

relation to the operation, business or activities of the Fund unless such loss arises from the negligence, wilful default or fraud of that party.

To the extent permitted by applicable law, each of the General Partner, the Manager and each liquidator of the Fund shall be indemnified on demand out of the Fund for itself and as trustee for its officers, directors, partners, employees, agents, consultants, associates and personnel against any and all liabilities, actions, proceedings, claims, costs, demands, damages, out of court settlements and expenses (including legal fees) incurred or threatened or arising in connection with the activities or services to be performed under or pursuant to the Fund Partnership Agreement, the Management Agreement or any other agreement under which any such party provides or agrees to provide services to or in respect of or on behalf of the Fund or which otherwise arise in relation to the operation, business or activities of the Fund save in the case of the negligence, wilful default or fraud of that party.

- 11.3 The Management Agreement, whereby the Manager is appointed to provide investment advisory and management services to the Company. The Manager's duties under the Management Agreement are to act in an advisory capacity only and not to perform any of the executive functions of the Company.

The key terms of the Management Agreement are:

#### *Fees and expenses*

In consideration for its services provided pursuant to the Management Agreement, the Manager is entitled to be paid a management fee in cash equal to 2 per cent. per annum of the Net Asset Value of the Company. The Company will pay the first management fee on the business day following Admission *pro rata* to cover the period from Admission to 31 December 2007. Thereafter the Company will pay the management fee semi-annually in advance.

In addition, if the NAV of the Company as at 31 December in the relevant year is greater than or equal to the Fund High Water Mark, the Company shall, within 10 Business Days of the final determination of the Net Asset Value of the Company at 31 December in the relevant year, pay to the Manager the Manager Performance Payment (less any amount in respect of the same year paid to the Carried Interest Partner pursuant to the terms of the Fund Partnership Agreement).

All fees are exclusive of VAT or any similar taxes (where appropriate).

#### *Exclusivity*

The services provided by the Manager under the Management Agreement shall be provided by it to the Company and the Fund on an exclusive basis until the fifth anniversary of the Admission Date and the Manager shall not, directly or indirectly, provide similar services to any other person during such period. If prior to the expiry of this five year period any joint venture, partnership, fund or similar entity in which the Manager and both of the Investment Advisers or in which either the Manager or both of the Investment Advisers are interested (whether directly or indirectly) provides services similar to those provided under the Management Agreement to another party or other parties which, in the reasonable opinion of the Board, compete directly with the Company or the Fund then the Board shall following consultation with the Manager have the right to terminate the Management Agreement on written notice to the Manager.

#### *Termination*

The Management Agreement is to run for an initial five year term from Admission and can be terminated by the Company in the event of any fraudulent act, wilful default, material breach of applicable securities laws and/or gross negligence on the part of the Manager, on the expiry of the initial term or, following expiry of the initial term, by giving two years' notice. In addition, if Shareholders vote in favour of the liquidation of the Company after the expiration of the initial term, the Management Agreement will terminate if a liquidator is appointed within three months of such resolution. If the Management Agreement is so terminated, the General Partner on behalf of the Fund has agreed that the Fund and its Investments will be liquidated in an orderly manner and within 24 months of such termination. If the Management Agreement is terminated as a result of default by the

Manager, no payment shall be made in respect of the Manager Performance Payment in respect of the year in which the Management Agreement is terminated. If the Management Agreement is terminated otherwise than as a result of default by the Manager (including where Shareholders vote in favour of the liquidation of the Company), the Manager Performance Payment shall, if applicable, be payable in respect of the year in which the Management Agreement is terminated.

#### *Costs*

The Company is responsible for third party and out of pocket expenses reasonably incurred by the Manager in carrying out its services under the Management Agreement, subject to an annual limit of US\$500,000.

#### *Liability and Indemnity*

The Manager shall not be liable to the Company, the General Partner or the Fund for any loss, other than a loss arising out of the negligence, breach of the Management Agreement, wilful default, fraud or material breach of any applicable law or regulation of the Manager or its officers, directors, employees or agents (including the Investment Advisers).

The Manager and its officers, directors, employees and agents (including the Investment Advisers) are entitled to be indemnified by the Company, the General Partner and the Fund for any loss relating to the performance of its duties under the Management Agreement, other than a loss resulting from its negligence, breach of the Management Agreement, wilful default, fraud or material breach of any applicable law or regulation. In respect of such a loss, the Manager shall indemnify the Fund, its officers, directors, employees and agents, the Company and the General Partner.

#### *Directors*

The Company has agreed that to the extent that either Richard Horlick or Almas Chukin cease to be senior representatives of either SHCM or CAM, they will resign as Directors and be replaced by a relevant representative of SHCM or CAM respectively as nominated by the Manager.

- 11.4 The Nominated Adviser and Broker Agreement, whereby Numis is appointed to act as Nominated Adviser and Broker to the Company. For these services Numis shall receive an annual fixed fee payable half yearly in advance by the Company of £75,000. The Nominated Adviser and Broker Agreement is terminable at any time by either party for material breach by the other party and, unless earlier terminated, may be terminated at any time by either party after the first anniversary of Admission on giving not less than 90 days prior written notice of the same to the other party.
- 11.5 The Administration Agreement, whereby the Administrator is appointed to act as administrator, secretary and registrar, and to perform certain registration, custodial and accounting services in relation to the Company and the Fund in the Isle of Man. For these services the Company will pay the Administrator an annual fee of £25,000. The Administration Agreement is terminable by either party on not less than 90 days' notice save in certain limited circumstances in which case the Administration Agreement may be terminated forthwith.
- 11.6 The Numis Option Deed, whereby the Company has agreed to grant to Numis an option in respect of 1 per cent. of the Company's Ordinary Share capital in issue immediately following Admission. The option may be exercised by Numis in whole or in part at any time before the fifth anniversary of the Admission Date, and the exercise price of the option per Ordinary Share is equal to the Placing Price. The Company has undertaken to allot the relevant Ordinary Shares no later than five business days following receipt of notice of exercise and payment for the Ordinary Shares.
- 11.7 The Custodian Agreements whereby the Custodians have agreed to provide certain custodian services to the Company which include and relate to the settlement, registration, recording and disposal of the Investments. The Custodian Agreements further authorise the Custodians to act through and hold securities by sub-custodians. The Custodians and sub-custodians may deposit securities with and hold securities in any depositary, settlement system or similar on such terms as such systems customarily

operate. The Company has appointed Morgan Stanley to act as its custodian in the Investment Countries and HSBC to act as its custodian in Kazakhstan.

The fees payable to the Custodian for providing the custody services will depend upon the level and extent of the services required. Broadly, the Company will pay between US\$15 and US\$160 per transaction to Morgan Stanley together with a corresponding custody fee and US\$100 per transaction and a custody fee of 0.3 per cent. per annum to HSBC. The Company is also required to pay all transaction, administration and processing fees together with all out of pocket expenses incurred by the Custodian in the course of their duties.

## **12. The Company's Significant Proposed Accounting Policies**

### **12.1 Significant Proposed Accounting Policies**

The proposed accounting policies that will be adopted by the Directors in preparing the financial statements of the Company have been set out below, for those items that are expected to be significant to the Company's financial statements.

### **12.2 Basis of preparation**

The financial statements of the Company are prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and applicable legal and regulatory requirements of Isle of Man law and the London Stock Exchange. The financial statements are presented in US dollars, the functional currency of the Company.

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries and subsidiary undertakings). Control is achieved where the Company has the power to govern the financial and operating policies of a portfolio company so as to obtain benefits from its activities.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Company. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

#### *Business combinations*

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Company in exchange for control of the portfolio company, plus any costs directly attributable to the business combination. The portfolio company's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 Non

Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the portfolio company's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the portfolio company is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

#### *Income*

Dividend income from Investments is recognised when the Company's right to receive payment has been established, normally the ex-dividend date.

Interest income is accrued on a time apportioned basis.

#### *Expenses*

All expenses are accrued for an accruals basis and are presented as revenue items except for expenses that are incidental to the purchase and disposal of an Investment which are accounted for within the Income Statement.

#### *Taxation*

The Company is resident for tax purposes in the Isle of Man and will be subject to Isle of Man corporate income tax at the current rate of 0 per cent.

#### *Foreign currency transactions*

Transactions in currencies other than US dollars are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into US dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into US dollars at foreign exchange rates ruling at the dates the fair value was determined.

#### *Forward exchange contracts*

The Company's activities will expose it to the financial risks of changes in foreign currency exchange rates. The Company will use forward foreign exchange contracts to hedge these exposures. The Company will not use derivatives for speculative purposes. The fair value of forward exchange contracts is their marked to market price at the balance sheet date.

#### *Financial instruments*

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company shall offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and intends to settle on a net basis.

#### *Investments*

The portfolio Investments of the Company will be initially recognised at cost as of the date of investment. The Directors shall procure that the portfolio Investments are re-measured at fair value at least every six months using the various methods described below and the Manager shall provide an

estimate of the NAV to the Directors on a monthly basis. Unrealised gains and losses arising from the revaluation of investments at the year end will be taken directly to the Income Statement.

The Company's investment approach is intended to deliver investors a full range of investment opportunities with not less than 50 per cent. of its NAV being invested in Kazakhstan and the balance being invested in the Investment Countries. It is proposed that the Fund will invest up to 50 per cent. of its asset allocation in Public Equities with the remainder in Private Companies and Special Situations.

As the Company will generally seek to take equity stakes of less than 50 per cent., it is anticipated that the investments will not be subject to IAS 27 (Consolidated and Separate Financial Statements), and that the investments will be accounted for in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). IAS 39 requires investments to be held at fair value, or at cost less provision for impairment in value where no reasonable range of fair values can be determined. Fair value will be determined by the Directors as follows:

- *Securities quoted or traded on a recognised stock exchange or other regulated market (i.e. Public Equities)* – will be valued by reference to the last available bid price and the size of the holding provided, quoted on an active market. Securities which are quoted but not marketable due to securities law restrictions will be valued at an appropriate discount rate from the public market price.
- *Unquoted securities (i.e. Private Companies and Special Situations)* – will be valued based on the realisation value which will be estimated by the Directors with prudence and good faith. The Directors will take into account the International Private Equity and Venture Capital Valuation Guidelines, published by the IPEV Board, with particular consideration of the following factors:
  - Investments will be reported at fair value at the reporting date; fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in arm's length transaction;
  - In estimating fair value for an investment, the Directors will apply a methodology that is appropriate in light of the nature, facts and circumstances of the Investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations; and
  - An appropriate methodology will incorporate available information about all factors that are likely materially to affect the fair value of the Investment. The valuation methodologies will be applied consistently from period to period, except where a change would result in a more accurate estimate of the fair value of the Investment (which may be up or down). Any changes in valuation methodologies will be clearly stated in the annual report.

Listed below are the most widely used methodologies:

- Cost of recent investment;
- Earnings multiple;
- Net assets;
- Discounted cash-flows; and
- Industry valuation benchmarks.

In assessing which methodology is appropriate, the Directors will be predisposed towards those methodologies that draw on market-based measures of risk and return. Methodologies utilising discounted cash-flows and industry benchmarks will rarely be used in isolation of the market-

based methodologies and then only with extreme caution. These methodologies however, may be useful as a cross-check of values estimated using the market-based methodologies.

#### *Cash and Cash Equivalents*

Cash in hand and in banks and short term deposits which are held to maturity are carried at cost. Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

#### *Other receivables*

Other receivable do not carry any interest and are short-term in nature and are accordingly stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

#### *Financial liabilities and equity*

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Financial liabilities and equity instruments are recorded at the proceeds received, net of issue costs.

#### *Interest-bearing loans and borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

#### *Other payables*

Other payables are not interest bearing and are stated at their nominal value.

#### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the obligation can be reliably measured. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### *Set up expenses*

The preliminary expenses of the Company directly attributable to the Placing and costs associated with the establishment of the Company that would otherwise have been avoided are taken to the share premium account.

### **13. Working capital**

The Directors are of the opinion (having made due and careful enquiry) that, after taking into account the net proceeds of the Placing, the Company has sufficient working capital for its present requirements, that is, for at least the period of 12 months from Admission.

### **14. Litigation**

The Company is not, nor has it at any time in the 12 months immediately preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this

document in each case which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

## **15. Third party information**

The figures and certain information set out in Part 3 of this document have been sourced from documents, websites and other publications released by the President of Kazakhstan, the Statistics Agency of Kazakhstan, the Ministry of Finance of Kazakhstan, the MEMR, the National Bank of Kazakhstan and other publicly available sources in Kazakhstan and elsewhere, including information from the Asian Development Bank, European Bank for Reconstruction and Development, the International Monetary Fund together with extracts from The World Fact Book published by the CIA, information published by the US State Department and reports by the Economist Intelligence Unit. The Company confirms that the information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

## **16. Miscellaneous**

16.1 There has been no significant change in the financial or trading position of the Company since 3 April 2007, the date of incorporation of the Company.

16.2 The total costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 10 above) payable by the Company are estimated to be approximately US\$8,700,000 including any VAT payable. The estimated net proceeds of the Placing will be US\$241,300,000 (assuming that the Placing is subscribed in full).

16.3 In making any investment decision in respect of the Placing, no information or representation should be relied on in relation to the Placing, the Company or the new Ordinary Shares, other than as contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this document nor any subscription made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.

16.4 Numis is registered in England and Wales under number 02285918 and its registered office is at The London Stock Exchange Building, 10 Paternoster Square, London, EC4M 7LT. Numis is regulated by the FSA.

16.5 Save as otherwise disclosed in this document:

16.5.1 there are no patents or other intellectual property rights, licences or particular contracts or new manufacturing processes which are of fundamental importance to the Company's business;

16.5.2 there have been no interruptions in the Company's business in the 12 months preceding the publication of this document which may have or had a significant effect on the Company's financial position; and

16.5.3 there have been no principal investments, nor are there any in progress or under active consideration.

16.6 Numis and Ernst & Young LLP have each consented to the inclusion and references to their respective names in this document and have not withdrawn such consent.

16.7 No person (excluding professional advisers and others as disclosed in this document and trade suppliers) has:

16.7.1 received, directly or indirectly, from any member of the Company within the 12 months preceding the date of application for Admission; or

- 16.7.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Company on or after Admission any of the following:
- 16.7.2.1 fees totalling £10,000 (US\$19,720) or more;
  - 16.7.2.2 securities in any member of the Company with a value of £10,000 (US\$19,720) or more calculated by reference to the Placing Price; or
  - 16.7.2.3 any other benefit with a value of £10,000 (US\$19,720) or more at the date of Admission.

**17. Documents available for inspection**

Copies of this document, the memorandum of association and Articles of the Company will be available for inspection, free of charge, to the public at the office of White & Case LLP of 5 Old Broad Street, London, EC2N 1DW and at the registered office of the Company at IOMA House, Hope Street, Douglas, IM1 1AP, Isle of Man during usual business hours on any weekday (public holidays excepted) until the date falling one month after the date of this document.

# PART 6

## ACCOUNTANTS' REPORT

The Directors,  
Tau Capital plc  
IOMA House  
Hope Street  
Douglas  
Isle of Man  
IM1 1AP

3 May 2007

Dear Sirs

### **TAU CAPITAL PLC**

We report on the financial information set out in this Part 6. This financial information has been prepared for inclusion in the AIM admission document dated 3 May 2007 of Tau Capital plc on the basis of the accounting policies set out in note 1. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the AIM admission document.

### **Responsibilities**

The Directors of Tau Capital plc 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 3 May 2007, a true and fair view of the state of affairs of Tau Capital plc as at the date stated and of its

changes in equity for the period then ended in accordance with the basis of preparation set out in note 1 to the financial information.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules for Companies 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 for Companies.

Yours faithfully

Ernst & Young LLP

## BALANCE SHEET

	<i>Note</i>	<i>At 20 April 2007 US\$</i>
<b>ASSETS</b>		
<i>Current assets</i>		
Debtors		0.04
Total assets		<u>0.04</u>
<b>EQUITY</b>		
<i>Equity</i>		
Called up share capital	2	0.04
<i>Total equity</i>		<u>0.04</u>

Approved by the Board and authorised for issue on 3 May 2007 and signed on its behalf by:

Richard Horlick  
*Director*

## STATEMENT OF CHANGES IN EQUITY

	<i>Share capital US\$</i>	<i>Share premium US\$</i>	<i>Total US\$</i>
Allotment of share capital at incorporation	0.04	–	0.04
At 20 April 2007	<u>0.04</u>	<u>–</u>	<u>0.04</u>

## NOTES TO THE FINANCIAL INFORMATION

### 1 Accounting policies

The principal accounting policies adopted on the preparation of the financial information are set out below.

#### *Basis of preparation*

The financial statements of the Company are prepared in accordance with IFRS, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and applicable legal and regulatory requirements of Isle of Man law and the London Stock Exchange. The financial statements are presented in US dollars, the functional currency of the Company.

The financial information has been prepared by the directors solely for the purpose of supporting the information to be included in the Company's admission document prepared in connection with the intended offering of Ordinary Shares in the Company and the admission of the Ordinary Shares of the Company to trading on the Alternative Investment Market of the London Stock Exchange ("AIM") hereinafter referred to as the Offer.

Save for entering into the conditional agreements described in note 3, the Company has not traded, has prepared no financial statements for presentation to its members and has not declared or paid a dividend. Accordingly, no income statement is presented for the period to 20 April 2007.

A cash flow statement has not been presented as the Company entered into no cash transactions during the period to 20 April 2007.

#### *Responsibility for preparation of the accounts*

As required by Isle of Man company law, the directors have accepted responsibility for preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors accept responsibility for:

- selecting suitable accounting policies and then applying them consistently;
- making judgments and estimates that are reasonable and prudent; and
- preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors accept responsibility for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company at that time and to enable them to ensure that the financial statements are prepared properly and in accordance with any relevant enactment for the time being in force. They also accept responsibility for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### *Share capital*

Ordinary Shares are classified as equity.

#### *Taxation*

The Company is resident for tax purposes in the Isle of Man and will be subject to Isle of Man corporate income tax at the current rate of 0 per cent.

#### *Set up expenses*

The preliminary expenses of the Company directly attributable to the Placing and costs associated with the establishment of the Company that would otherwise have been avoided are taken to the share premium account.

## 2 Share capital

### *Authorised*

	<i>At</i>
	<i>20 April</i>
	<i>2007</i>
	<i>US\$</i>
200,000 ordinary shares of £0.01	4,000
	<hr/>

### *Allotted, called up and fully paid*

	<i>At</i>
	<i>20 April</i>
	<i>2007</i>
	<i>US\$</i>
2 ordinary shares of £0.01	0.04
	<hr/>

The Company was incorporated and registered in the Isle of Man on 3 April 2007. On incorporation, 2 subscriber ordinary shares of £0.01 value each were issued at a price of £0.01 each.

## 3 Post balance sheet events

In addition to a placing agreement and other arrangements and contracts in connection with the Offer, in readiness for the Offer and contingent upon its consummation and therefore commencing from the date when the Company is admitted to AIM, the Company entered into the following agreements on 3 May 2007:

### *Management Agreement*

Under this agreement, Spencer House Compass Capital Limited (the “Manager”) has agreed to provide Investment advisory and management services to the Company in relation to the portfolio of assets held by the Company from time to time. The Investment Manager is entitled to receive from the Company an annual management fee of 2 per cent of the net asset value of the Company together, where applicable, with a performance fee of 20 per cent of the increase in net asset value of the public equities investments of the fund in the relevant year over a high water mark.

The company will pay third party and out of pocket expenses reasonably incurred by the Manger in carrying out its services under the Management Agreement subject to an annual limit of \$500,000.

### *Administration Agreement*

Under this agreement, the Company has engaged IOMA Fund and Investment Management Limited to act as administrator, secretary and registrar and to perform certain resistration, custodial and accounting services in relation to the Company in return for an annual fee of £25,000 per annum.

### *Nominated Advisor and Broker Agreement*

The Company has appointed Numis as its nominated adviser and broker for an annual fixed fee payable half yearly in advance of £75,000 per annum.

### *The Numis Option Deed*

The Company has agreed to grant to Numis an option in respect of 1 per cent. of the number of Placing Shares subscribed. The option may be exercised by Numis in whole or in part at any time before the fifth anniversary of the Admission Date, and the exercise price of the option per Ordinary Share is equal to the Placing Price.

## **PART 7**

### **TERMS AND CONDITIONS OF THE PLACING**

#### **1. Introduction**

These terms and conditions apply to persons making an offer to subscribe for Shares under the Placing (which may include Numis or its nominee(s)).

Each person to whom these conditions apply, as described above, who confirms its agreement to Numis (on behalf of itself and the Company) to subscribe for Shares (an “investor”) hereby agrees with each of Numis and the Company to be bound by these terms and conditions as being the terms and conditions upon which Shares will be subscribed under the Placing. An investor shall, without limitation, become so bound if Numis confirms to the investor its allocation. Following such confirmation, each investor undertakes to return promptly a completed form of confirmation in the form supplied by Numis (the “Form of Confirmation”).

#### **2. Agreement to Subscribe for Ordinary Shares**

Conditional on (i) Admission occurring and the Placing Agreement not having lapsed or been terminated in each case on or prior to 9 May 2007 (or such later date as Numis and the Company may agree (not being later than 31 May 2007)) and (ii) the confirmation mentioned under paragraph 1 above, an investor agrees to subscribe, as more particularly described below, at the Placing Price, for the number of Shares allocated to such investor under the Placing in accordance with the arrangements described in Part 7 of this document. To the fullest extent permitted by law, each investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights such investor may have.

#### **3. Payment for Shares**

Each investor undertakes to pay the Placing Price for the Shares subscribed for by such investor in such manner as shall be directed by Numis. Liability for stamp duty and stamp duty reserve tax is as described in Part 4 of this document.

In the event of any failure by any investor to pay as so directed by Numis, the relevant investor shall be deemed hereby to have appointed Numis or any nominee of Numis to use its reasonable endeavours to sell (in one or more transactions) any or all of the Shares in respect of which payment shall not have been made as directed by Numis and to indemnify Numis on demand in respect of any liability for stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales. A sale of all or any of such Shares shall not release the relevant investor from its obligation to make such payment for Shares to the extent that Numis or its nominee has failed to sell such Shares at a consideration which after deduction of the expenses of such sale and payment of stamp duty and/or stamp duty reserve tax as aforementioned exceeds the Placing Price per Share.

#### **4. Representations and Warranties**

By receiving this document and making the confirmation in paragraph 1 above each investor confirms, represents, warrants and undertakes to Numis (for Numis and on behalf of the Company) on the terms and subject to the conditions set out in this document:

- (i) that the exercise by Numis of any rights or discretion under the Placing Agreement shall be within the absolute discretion of Numis and Numis need not have any reference to the investor and shall have no liability to the investor whatsoever in connection with any decision to exercise or not to exercise any such right. Each investor agrees that they have no rights against Numis, the Company or any of their respective directors and employees under the Placing Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999;

- (ii) that in agreeing to subscribe for Shares under the Placing, each investor is relying on this document and not on any information or representation or warranty in relation to the Company or any of its subsidiaries or any of its shares other than as contained in this document;
- (iii) that neither the investor nor, as the case may be, its clients, expect Numis to have any duties or responsibilities to any of them similar or comparable to the duties of “best execution” and “suitability” imposed by The Conduct of Business Source Book contained in The Financial Services Authority’s Handbook of Rules and Guidance, and that Numis is not acting for the investor or its clients, and that Numis will not be responsible for providing protections to customers of the investor;
- (iv) that, save in the event of fraud on the part of Numis (and to the extent permitted by the Rules of the Financial Services Authority), neither Numis, its ultimate holding company nor any direct or indirect subsidiary undertakings of that holding company, nor any of their respective directors and employees shall be liable to the investor for any matter arising out of Numis’ role as placing agent or otherwise in connection with the Placing and that where any such liability nevertheless arises as a matter of law the investor will immediately waive any claim against any of such persons which the investor may have in respect thereof;
- (v) in the case of a person who confirms to Numis on behalf of an investor an agreement to subscribe for Shares, that person represents and warrants that he has the authority to do so on behalf of the investor;
- (vi) that it is not and is not applying as nominee or agent for a person who is, or may be, mentioned in any of the sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);
- (vii) except to the extent clause 7 relating to the United States applies and (where applicable) the investor has given the representations, warranties, acknowledgements and agreements referred to therein it is not a national or resident of the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa, the Isle of Man or Japan or a corporation, partnership or other entity organised under the laws of the United States, Canada, Australia or Japan and that the investor will not offer, sell, renounce, transfer or deliver directly or indirectly any of the Shares into the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa, the Isle of Man or Japan or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation or to or for the benefit of any person resident in the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa, the Isle of Man or Japan or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation and the investor acknowledges that the Shares have not been and will not be registered under the 1933 Act, as amended and have not been, and will not be, qualified for distribution through the filing of a prospectus with any Securities Commission or similar regulatory authority of any province of Canada and that the same are not being offered for sale and may not be, directly or indirectly, offered, sold, transferred or delivered in the United States, Canada, Australia, the Republic of Ireland, the Republic of South Africa, the Isle of Man or Japan or any other jurisdiction where to do so would be in breach of any applicable law and/or regulation;
- (viii) that the investor is entitled to subscribe for the Shares in its allocation under the laws of all relevant jurisdictions which apply to such investor and that such investor has fully observed such laws, obtained all governmental and other consents which may be required thereunder or otherwise and complied with all necessary formalities;
- (ix) that the investor is a person of a kind described in paragraph 5 of Article 19 or paragraph 2 of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005; and
- (x) that the investor is a person falling within the ambit of the Isle of Man Companies (Private Placements) (Prospectus Exemptions) Regulations 2000, being a person:
  - a) whose ordinary activities involve him in acquiring, holding, managing or disposing of shares or debentures (as principal or agent) for the purposes of his business; or
  - b) who it is reasonable to expect will acquire, hold, manage or dispose of the Placing Shares (as principal or agent) for the purposes of his business; or

- c) whom Numis reasonably believes to be sufficiently knowledgeable to understand the risks involved in accepting the offer constituted by this document; or
- d) whom it is reasonable to believe will acquire the Placing Shares for investment purposes and not with a view to their imminent resale.

(in the event that applicants for Placing Shares numbering more than fifty indicate that they wish to be considered within sub-paragraph (d) above, such applicants may be rejected at the discretion of Numis so that the total number of applicants applying for Placing Shares and who state that they so wish to be considered within sub-paragraph (d) shall not exceed fifty.)

## **5. Supply and Disclosure of Information**

If the Company, Numis or any of their respective agents request any information about an investor's agreement to subscribe for Shares, such investor must promptly disclose it to them.

## **6. Miscellaneous**

The rights and remedies of Numis and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others. On application, each investor may be asked to disclose, in writing or orally, to Numis:

- (i) if he is an individual, his nationality; or
- (ii) if he is a discretionary fund manager, the jurisdiction in which the funds are managed or owned.

All documents will be sent at the investor's risk. They may be sent by post to such investor at the address notified to Numis.

Each investor agrees to be bound by the Articles (as amended from time to time) once the Shares which such investor has agreed to purchase have been allotted to such investor. The contract to subscribe for Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England. For the exclusive benefit of the parties mentioned under paragraph 1, above, each investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an investor in any other jurisdiction.

In the case of a joint agreement to subscribe for Shares, references to an investor in these terms and conditions are to each such investor and the investors' liability is joint and several.

Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Form of Confirmation issued by Numis until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 9 May 2007, application monies will be returned without interest.

## **7. Selling Restrictions**

### ***United Kingdom***

Before Admission becomes effective, investors may only offer or sell any Shares in the United Kingdom in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of S 102B of the Financial Services and Markets Act 2000.

### ***United States***

Save where a relevant exemption applies, the Placing is not being made, directly or indirectly, to, or for the account or benefit of, any US Person or in or into the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan and this document must not be mailed or otherwise distributed or sent in or into the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan. The Shares have not been, and will not be, registered under the 1933 Act or with any securities regulatory

authority of any state or other jurisdiction of the United States, and the Company has not registered, and does not intend to register, as an investment company under the 1940 Act. Furthermore, the Shares have not been, and will not be, registered under the securities legislation of any state of the United States, any province of Canada, the Commonwealth of Australia, the Republic of Ireland, South Africa or Japan. Accordingly, unless an exemption under relevant securities laws is applicable (see the next paragraph), the Shares may not be offered, sold, transferred, or delivered, directly or indirectly, to, or for the account or benefit of, any US Person or in or into the United States, Canada, Australia, the Republic of Ireland, South Africa or Japan.

Numis and any of its respective affiliates may arrange for the offer and sale of Shares in the United States or to US Persons only to persons (“Eligible US Investors”) (a) reasonably believed to be “qualified institutional buyers” as defined in Rule 144A under the 1933 Act (“Rule 144A”), and (b) who are “qualified purchasers” within the meaning of Section 2(a)(51)(A) of the Investment Company Act, as amended, in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the 1933 Act. Prospective investors are hereby notified that the sellers of Shares may be relying on the exemption from the provisions of Section 5 of the 1933 Act provided by Rule 144A or another exemption from the registration requirements of the 1933 Act. The Shares are being offered and sold outside the United States to non-US persons in reliance on Regulation S under the 1933 Act.

The Company intends to prohibit investors that are subject to Title I of ERISA or Section 4975 of the Internal Revenue Code from acquiring any Shares in the Placing or holding any Shares. Accordingly, Benefit Plan investors using assets of Plans that are subject to Title I of ERISA or Section 4975 of the Internal Revenue Code (including, as applicable, assets of an insurance company general account) will not be permitted to acquire Shares in the Placing or to hold Shares and each Placee will be required to represent and agree that it is not and will not be a Benefit Plan Investor that is using assets of a Plan that are subject to ERISA or Section 4975 of the Internal Revenue Code. In addition, without limiting the foregoing, the Company’s Bye-laws provide that in the event that it comes to the notice of the Directors that any Shares are or may be owned or held directly or beneficially by any person that is a pension or other benefit plan subject to Title I of ERISA and in the opinion of the Board the assets of the Company may be considered “plan assets” within the meaning of regulations adopted under ERISA, the Directors may require the sale or transfer of any such Shares to an Eligible Transferee (as defined in the Bye-laws). In addition, any Shareholder who becomes aware that he is a pension or other benefit plan subject to Title I of ERISA is required forthwith either to transfer his Shares to an Eligible Transferee or to request the Directors in writing to exercise their powers under the Bye-laws. Each other employee benefit plan acquiring Shares will be deemed to have represented and agreed that the purchase and holding of the Shares do not violate any US federal, state or local, or non-US, law substantially similar to Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

Any purchaser that is an insurance company using the assets of an insurance company general account should note that pursuant to regulations issued pursuant to Section 401(c) of ERISA, assets of an insurance company general account will not be treated as “plan assets” for purposes of the fiduciary responsibility provisions of ERISA and Section 4975 of the Internal Revenue Code to the extent such assets relate to contracts issued to employee benefit plans on or before 31 December 1998 and the insurer satisfied various conditions. The plan assets status of insurance company separate accounts is, however, unaffected by Section 401(c) of ERISA, and separate account assets are treated as the plan assets of any such Plan invested in a separate account and therefore will be ineligible to invest in Shares.

Under the Bye-laws, the Directors have the power to refuse to register Shares in certain circumstances. Such power may be exercised, *inter alia*, (1) in order to ensure that Shares are not transferred to US Persons that are not Eligible US Investors, and (2) in order to avoid the assets of the Company being treated as “plan assets” for the purposes of ERISA.

Each Placee who is a US Person will be required to execute and deliver to Numis a placing letter, pursuant to which such Placee will make (*inter alia*) the following representations, acknowledgements and agreements:

- (1) the Placee (1) is a US Person that is an Eligible US Investor and an accredited investor (as defined in Rule 501 of Regulation D under the 1933 Act), (2) is acquiring the Shares for its own account or for the account of an Eligible US Investor and accredited investor, (3) is aware, and, if it is acting for the

account of another Eligible US Investor, such Eligible US Investor has been advised, that the sale of the Shares to it is being made in reliance on Rule 506 of Regulation D and Rule 144A or another exemption from the registration requirements of the 1933 Act and that the Company has not been and will not be registered as an “investment company” under the 1940 Act, and (4) was not solicited by any form of general advertising or general solicitation as defined in Regulation D under the 1933 Act;

- (2) the Placee understands that the Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the 1933 Act, that the Shares have not been and will not be registered under the 1933 Act and that if in the future the Placee decides to offer, resell, pledge or otherwise transfer any of the Shares, such Shares may be offered, resold, pledged or otherwise transferred only outside the United States in compliance with the 1933 Act and other applicable securities laws and only (a) to the Company (upon redemption of such Shares or otherwise) or (b) in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S under the 1933 Act (including, for the avoidance of doubt, a bona fide sale on the London Stock Exchange); and
- (3) the Placee is not and will not be (or deemed to be) a Benefit Plan Investor subject to ERISA or Section 4975 of the Internal Revenue Code.

Each Placee who is not a US Person will be deemed to have represented and agreed that he (1) is not a US Person and is not acquiring the Shares for the account or benefit of a US Person, (2) is purchasing the Shares in an offshore transaction pursuant to Regulation S under the 1933 Act, (3) has not been solicited by any directed selling efforts as defined in Regulation S under the 1933 Act, (4) is not and will not be (or deemed to be) a Benefit Plan Investor subject to ERISA or Section 4975 of the Internal Revenue Code, and (5) understands that the Shares are being offered in a transaction not involving any public offering in the United States within the meaning of the 1933 Act, that the Shares have not been and will not be registered under the 1933 Act and that if in the future the Placee decides to offer, resell, pledge or otherwise transfer any of the Shares, such Shares may be offered, resold, pledged or otherwise transferred only outside the United States in compliance with the 1933 Act and other applicable securities laws and only (a) to the Company (upon redemption of such Shares or otherwise) or (b) in a transaction complying with the provisions of Rule 903 or Rule 904 of Regulation S under the 1933 Act (including, for the avoidance of doubt, a bona fide sale on the London Stock Exchange) or another exemption from the registration requirements of the 1933 Act.

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

This document has not been registered or filed as a prospectus with any governmental or other authority in the Isle of Man and this document and the issue of the Placing Shares and Warrants have not been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man. This document may only be issued by or on behalf of the Company, or by or on behalf of any person who is or has been engaged or interested in the formation of the Company, to persons falling within the ambit of the Isle of Man Companies (Private Placements) (Prospectus Exemptions) Regulations 2000, including (without limitation) persons whose ordinary activities involve them in acquiring, holding, managing or disposing of shares or debentures (as principal or agent) for the purposes of their businesses.

3 May 2007





