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This document comprises a prospectus in relation to Utilico Limited and has been prepared in accordance with the Prospectus Rules of the Financial Services Authority made pursuant to section 73A of the Financial Services and Markets Act 2000 in order to make an offer of transferable securities to the public and to admit the transferable securities to the premium segment of the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange. This document has been approved by and filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules. This document and the information herein relates expressly to the New Utilico Shares.

If you have sold or otherwise transferred all your Eclectic Ordinary Shares please send this document and the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. The distribution of this document and/or the accompanying documents in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

Application will be made to the UK Listing Authority and the London Stock Exchange for the New Utilico Shares to be issued in connection with the Scheme and the GPLPF Subscription to be admitted to a premium listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that admission to the Official List will become effective, and that dealings in the New Utilico Shares will commence on 18 January 2011.

**This prospectus has been filed with the Registrar of Companies in Bermuda (the "Bermuda Registrar"). The Bermuda Registrar takes no responsibility for the contents of this document, and it makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss arising from or in reliance upon any part of the contents of this document.**

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## **UTILICO LIMITED**

*(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 39480)*

### **Issue of Ordinary Shares in connection with the acquisition of certain assets from Eclectic Investment Company plc and General Provincial Life Pension Fund (L) Limited**

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Westhouse Securities Limited, which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting exclusively for Utilico and Utilico Finance and for no one else in connection with the Proposals, and, subject to the responsibilities and liabilities imposed by FSMA, will not be responsible to any person other than Utilico and Utilico Finance for providing the protections afforded to customers of Westhouse Securities Limited or for providing advice to them in relation to the Proposals or any other matter referred to in this document. Westhouse Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

Howard Kennedy, which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting exclusively for Utilico and Utilico Finance and for no one else in connection with the Proposals, and, subject to the responsibilities and liabilities imposed by FSMA, will not be responsible to any person other than Utilico and Utilico Finance for providing the protections afforded to customers of Howard Kennedy or for providing advice to them in relation to the Proposals or any other matter referred to in this document. Howard Kennedy is not making any representation or warranty, express or implied, as to the contents of this document.

No action has been taken to permit the distribution of this document and the accompanying documents or the offer of any of the New Utilico Shares in any jurisdiction other than the United Kingdom. Accordingly, this document and the accompanying documents may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Further information regarding overseas investors is set out in Part 1 of this document.

The whole of this document should be read. The attention of potential investors is drawn in particular to pages 8 to 15 of this document, which set out the principal risk factors associated with an investment in Utilico.

**6 December 2010**

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## SUMMARY

This summary should be read as an introduction to the full text of this document and any decision to invest in Utilico Shares should be based on consideration of the full text of this document as a whole and not solely on this summarised information. Where a claim relating to the information contained in this document is brought before a court, a plaintiff investor may, under the national legislation of an EEA state, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

### **Information on the Group**

Utilico Limited (“Utilico”) is an exempted, closed-ended investment company incorporated in Bermuda with limited liability, and was established as a successor company to Utilico Investment Trust plc. Trading in the Company’s shares and warrants commenced on 20 June 2007.

The Company’s current objective is to provide long-term capital appreciation by investing predominantly in infrastructure, utility and related companies (including other investment companies investing in those companies).

### **Capital structure**

Utilico’s share capital is comprised of Utilico Shares. It has also issued Warrants, which carry the right to subscribe for Utilico Shares, as described in further detail below. Utilico Finance, a wholly owned subsidiary of Utilico, has issued three classes of zero dividend preference shares (**ZDP Shares**). Utilico is required to provide funds to Utilico Finance to pay the redemption amount of the ZDP Shares on each of their redemption dates. The Utilico Shares, Warrants and ZDP Shares are admitted to the Official List of the UK Listing Authority and traded on the main market for listed securities of the London Stock Exchange.

### **Summary investment policy**

A summary of the Company’s current investment policy is as follows:

The Company’s investment policy is flexible and permits it to make investments predominantly in developed markets and in existing utilities and related sectors, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new utilities which may arise. The Company may also invest in businesses which supply services to, or otherwise support, the utilities and related sectors.

The Company focuses on the developed markets of Australasia, Western Europe and North America but has the flexibility to invest in markets worldwide. The Company generally seeks to invest in developed markets countries where the Directors believe there are attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment. In emerging markets, Utilico invests indirectly through its holding in Utilico Emerging Markets Limited.

If all of the resolutions to be proposed at the Special General Meeting and the separate class meetings of the ZDP Shareholders to be held on 7 January 2011 are approved and the Eclectic Resolutions are passed, the Company’s investment policy will change. A summary of the proposed new investment policy is as follows:

Utilico will seek to invest in undervalued investments and under its proposed investment policy will have the flexibility to make investments in a wide range of sectors and markets.

The Company will identify and invest in opportunities where the underlying value is not reflected in the market price. This perceived undervaluation may arise from any number of factors including technological, market motivation, prospective financial engineering opportunities, competition or shareholder apathy.

As with the existing investment policy, the Company will continue to have the flexibility to invest in any instrument appropriate to the particular opportunity under consideration, including shares, bonds, convertibles, options, warrants, futures and debt securities and to invest in unlisted securities. The Company may use derivative instruments for the purposes of efficient portfolio management and to obtain investment exposure, such as contracts for difference, financial futures, call and put options and warrants. The Company may from time to time seek to actively protect the Company's portfolio and balance sheet from major market corrections. This may include foreign currency hedges, interest rate hedges, stock market index options and similar instruments.

The Company will continue to have the flexibility to invest in markets worldwide although investments in the utilities and infrastructure sectors will principally be made in the developed markets of Australasia, Western Europe and North America, as Utilico's exposure to the emerging markets utilities and infrastructure sectors will primarily be through its holding in Utilico Emerging Markets Limited. Utilico will, as is currently the case, have the flexibility to invest directly in these sectors in emerging markets with the prior agreement of Utilico Emerging Markets Limited.

The Company may invest in other investment companies or vehicles, including any managed by the Manager, where such investment would be complementary to the Company's investment objectives and policy.

### **The Eclectic Scheme**

On 6 December 2010, the Board announced that it had reached agreement with Eclectic Investment Company plc ("Eclectic") to acquire the investment portfolio of Eclectic pursuant to the Scheme. The Scheme will result in Eclectic Shareholders who elect to do so receiving New Utilico Shares, valued at the Utilico FAV per Share as at the Calculation Date, issued by the Company in exchange for the transfer to the Company of certain investments held by Eclectic. The Scheme will also provide for Eclectic Shareholders to elect to receive a cash exit in respect of their investment in Eclectic. Eclectic Shareholders who do not make an election will be deemed to have elected for the Cash Option. In order to provide sufficient cash to fund the Cash Option, Utilico has conditionally agreed to purchase certain non-cash assets from Eclectic shortly before the Second Eclectic GM.

Eclectic is an investment company with a broad investment policy, which permits Eclectic to make investments worldwide across all sectors and in a variety of financial instruments without having to focus on any country, sector or industry. The majority of the assets of Eclectic to be acquired by the Company pursuant to the Scheme would fall outside the scope of the Company's existing investment policy. The Scheme is therefore conditional, *inter alia*, on the amendment of the Company's investment policy, which requires the approval of Shareholders and ZDP Shareholders.

### **The GPLPF Subscription**

As part of the Proposals, GPLPF has agreed to subscribe for New Utilico Shares in consideration for the acquisition by Utilico of 19,965,369 Resolute ordinary shares (having a value, based on their closing bid price on 30 November 2010 and a A\$/£ sterling exchange rate on that date of 1.6238, of £15.0 million).

Resolute is a developer and operator of gold projects, with operations in Africa, principally in Mali and Tanzania, and in Australia. Its ordinary shares, convertible notes and listed options are quoted on the official list of the Australian Stock Exchange.

The Directors, advised by the Manager, believe that these investments, and the opportunity to acquire further Resolute ordinary shares pursuant to the GPLPF Subscription, offer counter cyclical diversification through exposure to the gold sector and that they still remain undervalued with potential for significant upside.

The ordinary shares in Resolute to be acquired by the Company from GPLPF will be valued at their closing bid price on the Australian Stock Exchange as at the Calculation Date and the New Utilico Shares issued in consideration will be valued at the Utilico FAV per Share as at the Calculation Date. Based upon valuations and a A\$/£ sterling exchange rate of 1.6238 as at 30 November 2010 (the latest practicable date prior to the publication of this document), the satisfaction of the consideration would result in the issue of 7,341,748 New Utilico Shares to GPLPF, representing 8.5 per cent. of the current issued ordinary share capital and 7.3 per cent. of the enlarged issued share capital of Utilico on the assumption that the Scheme is also implemented and that all Eclectic Shareholders (other than those who have irrevocably undertaken to elect for New Utilico Shares) elect for, or are deemed to elect for, the Cash Option pursuant to the Scheme.

GPLPF is interested in 52.6 per cent. of the current issued share capital of Utilico and accordingly the GPLPF Subscription constitutes a related party transaction for the purposes of the Listing Rules. It is therefore conditional, *inter alia*, on the approval of the Shareholders excluding GPLPF and any of its associates.

### **Dividend policy**

Utilico is currently unable to pay dividends under Bermuda law, as it has negative capital reserves. The negative balance is substantial and it would require the assets of Utilico to increase by approximately £138 million before dividends can be paid. In light of this, the Directors have proposed a cancellation of its current share premium account (the **Share Premium Cancellation**), which would eliminate the capital reserve deficit and enable the Company to pay dividends from its revenue reserves, subject to compliance with Bermuda law. The Share Premium Cancellation is conditional, *inter alia*, on its approval by Shareholders and ZDP Shareholders. Accordingly, there is no guarantee that the Share Premium Cancellation will be completed.

If the Share Premium Cancellation is completed, the Directors anticipate distributing by way of dividend the majority of net revenue arising from normal income streams (such as dividends from investments) less costs (such as management fees). Any dividend payments would be made in accordance with Bermuda law.

### **Management arrangements**

The Company's Manager is ICM Limited, which has been appointed under a management agreement to undertake the discretionary management of the Company's portfolio and to provide various other management services to the Company, subject to the overriding supervision of the Directors.

### **Borrowing policy**

Under the Bye-laws the Group is permitted to borrow an aggregate amount equal to 100 per cent. of the Group's Gross Assets. However, the Board has set a current limit on gearing (being total borrowings measured against gross assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings will be drawn down in sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

The Company currently has a loan facility of £30 million in place, provided by the Royal Bank of Scotland. This facility will expire on 31 March 2011.

### **Repurchases of Shares and Warrants**

At its annual general meeting held on 2 December 2010, Utilico was granted the authority to make market purchases of up to 14.99 per cent. of the Utilico Shares in issue as at that date. Utilico, as the sole ordinary shareholder of Utilico Finance, granted Utilico Finance authority to repurchase ZDP Shares at Utilico Finance's annual general meeting held on the same date.

The price paid for each class of share will be within the maximum price permitted by the UK Listing Authority and in accordance with the Bermuda Companies Act and the Bye-Laws of the Company and Utilico Finance respectively, and in any event no purchase of Utilico Shares will be made at a price in excess of the diluted NAV per Utilico Share (at a date determined by the Directors falling not more than 10 days before the date of purchase). Any Utilico Shares may only be purchased at a price such that immediately after such purchase the ZDP Cover would be at least 1.4 times. Purchases of ZDP Shares will be made at a price not exceeding their accrued capital entitlement (at a date determined by the Directors falling not more than 10 days before the date of purchase) unless the Utilico Finance Directors determine that a purchase at a higher price is in the interests of ZDP Shareholders.

### **Expenses of the Proposals**

The expenses of the Group incurred in connection with the Proposals are estimated to be approximately £625,000 (excluding any UK stamp duty on the assets transferred to the Company pursuant to the proposed scheme of reconstruction of Eclectic).

### **Risk factors**

An investment in Utilico Shares is subject to a number of risks which could materially and adversely affect the Group's business, financial condition or results of operations. The material risks relating to an investment in Utilico Shares and the Group which are known to the Directors are set out below:

- An investment in Utilico Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the risks attaching to an investment in Utilico prior to making any investment decision.
- The past performance of Utilico, Eclectic and the other investment companies managed or advised by ICM or its affiliates is not indicative of the future performance of Utilico.
- There may not be a liquid market for Utilico Shares and their price may fluctuate.
- Warrants tend to involve a high degree of gearing, such that a relatively small movement in the price of the Utilico Shares is likely to result in a disproportionately large movement in the price of the Warrants.
- The success of the investment strategies followed by ICM depends upon ICM's success at correctly interpreting market data and the performance of Utilico's investments depends on ICM's correct assessments of the future course of price movements of Utilico's assets. As a consequence, Utilico is heavily dependent on the expertise of ICM, and its own Directors and employees.
- There is no guarantee that the market price of the Utilico Shares will reflect their underlying net asset value.
- Utilico's investments are concentrated and accordingly may represent a different risk than a more diversified fund.
- Utilico invests in utilities and infrastructure investments which are, in general, exposed to a higher level of political and regulatory risk than companies in stock markets as a whole.
- Utilico invests substantially in securities which are not denominated or quoted in Sterling, and accordingly Utilico's results are affected by movements in foreign exchange ratios to the extent not hedged.
- ICM and its associates serve as manager or adviser to other clients, including Utilico Emerging Markets Limited and may, as a result, be subject to conflicts of interest in allocating investments amongst its clients.
- Utilico employs gearing, both through bank debt and through the gearing inherent in the capital structure of the Group. This exposes investors to increased risk.

- The ability of Utilico Finance to pay the final capital entitlement of the ZDP Shares on their maturity will be dependent on Utilico being able to meet its funding obligations under the subscription agreement, which has been entered into between Utilico and Utilico Finance.
- On a winding up, Utilico Shareholders' entitlement to capital ranks behind all other liabilities of Utilico (including its obligation to make payments to Utilico Finance equal to the amounts which Utilico Finance is liable to pay to the holders of the ZDP Shares on their redemption).
- Utilico and Utilico Finance are incorporated in Bermuda and therefore not subject to the City Code on Takeovers and Mergers.
- Utilico may invest in non-investment grade bonds, warrants, contracts for differences, other forms of derivative instrument, bank debt or other debt securities. These are subject to credit, liquidity and interest rate risks.

## RISK FACTORS

**Investment in Utilico Shares involves a high degree of risk. Accordingly prospective and existing investors should review this document carefully and consider all of the information contained in this document and the risks attaching to an investment in Utilico prior to making any investment decision. The risks referred to below are all the material risks applicable to the Group of which the Directors are aware as at the date of this document. Additional risks that are not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Group.**

**Any decision to invest in Utilico should be based on a consideration of this document as a whole. An investment in Utilico is only suitable for investors who are capable of evaluating the risks or merits of such investment and who have sufficient resources to bear any loss which might arise from such investment (which may be equal to the whole amount invested).**

**Utilico's business, financial condition or operations could be materially and adversely affected by the occurrence of any of the risks described below. In such circumstances, the market price of Utilico Shares could decline and investors could lose all or part of their investment.**

### General

Utilico Shares are intended to be held over the long term and are not suitable as a short-term investment. There can be no guarantee that any appreciation in the value of Utilico's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that Utilico's investment objective will be met.

### Utilico Shares

Utilico Shares should generally be regarded as a long-term investment and may not be suitable as a short-term investments. An investment in Utilico will involve exposure to those risks normally associated with investment in stocks and shares. As such, the value of an investment in Utilico may go down as well as up. There can be no guarantee that any appreciation in the value of Utilico's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that the investment objective of Utilico will be achieved or provide the returns sought by Utilico. Over time, inflation may erode the value of an investment in Utilico. As with any investment in companies, Utilico's investments may fall in value with the maximum loss on such investments being the value of the initial investment and, where relevant, any gains or subsequent investments made.

The value of Utilico Shares can go down as well as up. The market price of Utilico Shares may not fully reflect their underlying Net Asset Value.

The Group's capital structure is such that the underlying value of assets attributable to the Utilico Shares is geared on the performance of Utilico's assets relative to the rising capital entitlements of the ZDP Shares and the amount of the Group's borrowings. The Utilico Shares are therefore geared by any bank finance provided to the Group and the ZDP Shares. A positive Net Asset Value for the Utilico Shareholders is dependent upon Utilico's assets being sufficient to meet these prior entitlements and all other liabilities of Utilico.

Utilico Shares rank for repayment of capital after any bank finance provided to the Group, all other liabilities of the Group and, save in respect of the Winding-Up Revenue Profits, after the ZDP Shares. The Groups' ZDP Cover, being the amount of the Group's Gross Assets divided by the Group's borrowings and the amounts payable on the redemption of the ZDP Shares on the relevant ZDP Repayment Date, was 1.52 times (as at 30 November 2010, the latest practicable date prior to the publication of this document). If the Gross Assets were to fall such that ZDP Cover was equal to or less than 1.00, the Utilico Shareholders would not have a positive Net Asset Value.

Dividends on the Utilico Shares will depend on dividends or other income returns on Utilico's portfolio, which may reduce. The income derived from Utilico Shares (if any) can go down as well as up. If the Share Premium Cancellation does not take place Utilico will be unable to pay any dividends until the deficit in its capital reserves, which was £138.2 million as at 30 June 2010, has been eliminated. There is no guarantee as to when, if at all, this will occur.

### **Liquidity of the Utilico Shares generally**

Although the Utilico Shares are listed on the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, it is possible that there may not be a liquid market in them and holders of Utilico Shares may have difficulty selling them. The price at which the Utilico Shares are traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to Utilico and the Group's investments and some which may affect companies generally. The market price of Utilico Shares may be subject to greater fluctuations on small volumes of shares and thus the shares may be difficult to sell at a particular price.

Utilico aims to achieve capital growth and therefore Utilico Shares are not suitable as a short-term investment.

### **Investor returns**

The past performance of Utilico, Eclectic and other investment companies managed or advised by the Manager or its affiliates is not indicative of the future performance of Utilico. There can be no guarantee that Utilico's investment objective will be achieved. Utilico's ability to achieve returns may be adversely affected in the event of significant or sustained changes in market returns or volatility. Prospective investors should regard an investment in Utilico as long-term in nature and they may not recover the full amount initially invested or any amount at all.

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

### **Investment strategies**

The success of the investment strategies followed by the Manager depends upon the Manager's success at correctly interpreting market data. Any factor which would make it more difficult to buy or sell investments in any country where Utilico may invest may have an adverse affect on the profitability of Utilico. No assurance can be given that the strategies to be used will be successful under all or any market conditions.

The performance of the Company's investment programme depends to a great extent on correct assessments of the future course of price movements of securities and other investments selected by the Manager. There can be no assurance that the Manager will be able to accurately predict these price movements. With respect to the investment strategies utilised by the Manager, there is always some, and occasionally a significant, degree of market risk.

### **Infrastructure and utility sectors**

Notwithstanding the proposed change to its investment policy, Utilico is likely to retain significant exposure to investments in the infrastructure and utility sectors for some time. Accordingly, Utilico may be regarded as representing a different risk than a generalist investment company.

Any infrastructure and utility companies in which Utilico invests are, in general, exposed to a higher level of political and regulatory risk than companies in the stock market as a whole. In certain countries, the infrastructure and utilities regulatory framework is still developing. The existing dominant market position of some infrastructure and utility companies may be eroded as their sectors are exposed to greater competition as a result of regulatory steps.

Utilico may invest in newly privatised companies or companies which subsequently become privatised and this may involve additional risks relating to the capital structures of such companies.

Utilico's direct and indirect investment portfolio is relatively concentrated with the top 10 holdings accounting for over 90 per cent. of the portfolio and includes Infratil Limited (a holding company with investments in the power, waste and transportation sectors) and Utilico Emerging Markets Limited (an investment company investing in utilities predominantly in emerging markets) which may have common investments with Utilico.

### **Risks relating to the proposed investment policy**

The Company's current investment policy is focussed on utilities and related industries. If the proposed new investment policy is adopted, the Company's investment policy will be broader in scope and will permit investment in the securities of companies in specialist sectors, smaller and/or unquoted companies that can involve greater risk than is customarily associated with investment in larger, more established companies. It may be difficult to value or realise investments in such companies as they are often less liquid and potentially subject to a greater degree of price fluctuation. Any factor which would make it more difficult to buy or sell investments may have an adverse effect on the profitability of the Company. Even successful investments made by the Company may be illiquid for prolonged periods of time. Proper information for determining the value of such securities or the risks to which they are exposed may also not be readily available.

Debt instruments held by Utilico will be affected by general changes in interest rates that will result in increases and decreases in the market value of those instruments. Debt instruments will also be subject to credit or default risks associated with such assets.

The past performance of the Company and Eclectic and other investment companies managed or advised by the Manager, Ingot or their affiliates is not a guide to the future performance of the Company, whether or not the new investment policy is adopted.

### **Economic conditions**

Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, changes in the law, political and diplomatic events and trends, tax laws and other factors can substantially affect the value of investments, either adversely or favourably, and therefore Utilico's performance and prospects.

### **Political and country risks**

Utilico may invest directly or indirectly (including through its investment in Utilico Emerging Markets Limited) in investments based in countries where regulatory frameworks are still developing. There is no assurance that future political and economic conditions in the individual countries in which Utilico directly or indirectly invests will not result in their governments adopting different policies with respect to foreign investment. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, thereby influencing Utilico's ability to generate profits. Such policy changes could extend to the expropriation of assets.

Investment by foreign investors may require consents or be subject to limitations, and repatriation of investment income, capital and the proceeds of sales by foreign investors may require government registration and/or approval. Utilico could be adversely affected by delays in or a refusal to grant any required government approval or by any lack of availability of foreign exchange.

Companies in some countries are not always subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies incorporated in the United Kingdom. In addition, there may be less government supervision and regulation of stock exchanges, brokers and listed companies in some countries in which Utilico may invest directly or indirectly compared to countries with more advanced securities markets.

### **Other investment types**

Utilico may invest in derivatives, financial instruments, money market instruments and currencies for the purpose of efficient portfolio management, in order to reduce, transfer or eliminate investment risk in Utilico's investments. There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments which are the subject of the hedge, on the other hand leading to losses due to Utilico's hedging strategy. In addition, an active market may not exist for a particular derivative instrument at any particular time, meaning that Utilico is unable to hedge against a particular risk. No assurance can be given that the hedging strategies which may be used by Utilico will be successful under all or any market conditions.

These instruments are also subject to credit, liquidity and interest rate risks. Adverse changes in the financial position of an issuer of such securities or economic conditions generally may impair the ability of the issuer to make payments of interest or principal and may cause the insolvency of the issuer.

Utilico may invest in unlisted and unquoted securities. These types of securities are generally subject to higher valuation uncertainties and liquidity risks than securities listed or traded on a regulated market.

A proportion of Utilico's portfolio may be held in cash from time to time. Such proportion of Utilico's assets will be out of the market and will not benefit from positive stock market movements.

### **Investment in investment companies**

Unlike certain other investment companies, it is not a central part of Utilico's investment policy to invest in other investment companies. However, Utilico has flexibility to invest in other investment companies and in particular has significant investments in Infratil Limited and Utilico Emerging Markets Limited. Investment in other investment companies can expose Utilico to further layers of fees (although ICM will not earn a management fee in respect of assets invested by Utilico in funds managed or advised by ICM or its subsidiaries and the investment in Utilico Emerging Markets Limited is disregarded in calculating performance fees on Utilico's portfolio) and gearing. Underlying investment companies may also invest in other investment companies (but cross investment between investment companies is not expected to be a factor, though it will be assessed at the time of any investment).

### **Special situations**

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

### **Borrowings**

Utilico uses gearing. Gearing can be employed in a variety of ways, including direct borrowing, buying securities on margin and the use of futures, warrants, options and other derivative products. Generally, gearing is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. This exposes investors to increased risk as gearing can increase the portfolio's market exposure and volatility. In particular, whilst the use of borrowings should enhance the total return on the Utilico Shares where the return on Utilico's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on the Utilico Shares. Furthermore, should any fall in the underlying asset value result in Utilico breaching financial covenants contained in any loan facilities, it may be required to repay such borrowings in whole or in part together with any attendant costs. Such a requirement could result in Utilico being forced to sell investments at lower prices than would normally be obtained. This could adversely affect the capital and income returns to Shareholders.

Utilico's existing £30m facility becomes repayable on 31 March 2010. Whilst it is the Board's current intention to refinance the facility, there can be no guarantee that the Company will be able to do so. If the Company does not refinance the facility, it will need to realise part of its investment portfolio to fund the repayment. The Board is confident that sufficient assets could be realised at short notice to pay off this facility.

In addition to gearing employed through the methods described in the paragraphs above, the Utilico Shares are geared by virtue of the ZDP Shares, as described above under the heading "Utilico Shares".

### **Exchange risks**

Utilico invests a substantial part of its assets in securities which are not denominated or quoted in sterling, the base currency of Utilico. The Group's Net Asset Value is reported in sterling, part of the borrowings of Utilico are incurred (and interest paid) in sterling, the accrual on the ZDP Shares is in sterling terms and dividends (if any) will be declared and paid in sterling. The movement of exchange rates between sterling and any other currencies in which Utilico's investments are denominated or the base currency of an investor may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by Utilico. Hedging arrangements relating to foreign currency returns and exposures, if any are put in place, may or may not have the desired effect.

Those persons who acquire or hold Utilico Shares and whose base currency is not sterling will have a currency risk by virtue of holding such securities.

### **Risks relating to the Proposals**

#### ***The Proposals are subject to the satisfaction of a number of conditions***

The implementation of the Scheme is subject to a number of conditions, details of which are set out in Part 3 of this document, and there is no certainty that the Scheme will become effective. In particular the implementation of the Scheme is conditional upon the Eclectic Resolutions being passed at the First Eclectic GM and the Second Eclectic GM and all the Resolutions being passed at the SGM and at each of the Class Meetings. In the event that any of the Eclectic Resolutions, and/or any of the Resolutions are not passed, or any other condition of the Scheme is not met, the Scheme will not be implemented.

Under the UK Insolvency Act 1986, if an Eclectic Shareholder does not vote in favour of the Eclectic Resolution at the First Eclectic GM he will have the right to dissent from the Scheme pursuant to section 111 of the Insolvency Act. If an Eclectic Shareholder does dissent from the Scheme he will be entitled to have his Eclectic Shares acquired by the Liquidators for a price to be determined by agreement or arbitration. This would require the Liquidators to retain additional sums in the Liquidation Fund to pay for the dissenter's Eclectic Shares and, potentially, all or part of the costs of any arbitration.

The implementation of the Proposals is also subject to a number of conditions, details of which are set out in Part 3 of this document, and there is no certainty that any element of the Proposals will become effective.

#### ***Issue of New Utilico Shares to Eclectic Shareholders***

New Utilico Shares will be issued to Eclectic Shareholders who elect to receive Utilico Shares under the Scheme on the basis of the respective adjusted net asset values of each company calculated as at the Calculation Date, further details of which are set out in the section entitled "Valuations for the Scheme" in Part 1 of this document. The Eclectic FAV per Share and the Utilico FAV per Share, and the valuations of the respective investment portfolios, will depend on the performance of Eclectic's and Utilico's assets respectively and may vary between the Calculation Date and the Effective Date. The values used for the implementation of the Proposals may be lower or higher than the illustrative figures in this document.

#### ***The GPLPF Subscription and Resolute***

Utilico currently has an interest in 25,000,000 ordinary shares, 60,011,871 convertible loan notes, 16,150,491 listed options and 2,250,000 unlisted options in Resolute. Eclectic currently has an interest in 500,000 ordinary shares and 5,711,667 convertible loan notes in Resolute. The assets to be transferred to the Company pursuant to the GPLPF Subscription consist of 19,965,369 ordinary shares in Resolute.

If both the Scheme and the GPLPF Subscription proceed the Company would have an interest in 19.6 per cent. of Resolute's fully diluted share capital, which would represent 22.5 per cent. of the Company's Gross Assets immediately following the completion of the Proposals (based on the valuation of the Company's and Eclectic's portfolios as at 30 November 2010 and assuming that all Eclectic Shareholders (other than those who have given irrevocable undertakings to elect for New Utilico Shares) elect or are deemed to elect for the Cash Option in respect of all of their Eclectic Shares). As a result of this weighting towards Resolute, if the Company's investment in Resolute were to perform badly, it would have a material adverse effect on the Company as a whole.

### **Potential conflicts of interest**

An associate of the Manager currently serves as investment manager to Utilico Emerging Markets Limited, and ICM and its associates may be involved in other financial, investment or professional activities in the future, including advising other investment clients. In particular, they may provide investment management, investment advice or other services in relation to investment companies which may have similar investment policies to that of Utilico. As a result, the Manager may have conflicts of interest in allocating investments among Utilico and other clients, including ones in which it or its affiliates may have a greater financial interest.

The Manager will have regard to its obligations under its investment management agreement with Utilico or otherwise to act in a manner that it considers fair, reasonable and equitable having regard to its obligations to other clients, when potential conflicts of interest arise.

Utilico and Utilico Emerging Markets Limited both invest in the infrastructure and utilities sectors. As a result it is possible that conflicts of interest may arise with regard to potential investments. To minimise this risk an investment allocation policy has been adopted by both companies. This policy is described in Part 5 of this document under the heading "Relationship with Utilico Emerging Markets Limited".

### **Key personnel**

The ability of Utilico to achieve its investment objective is significantly dependent upon the expertise of the Manager and its ability to attract and retain suitable staff. Utilico is also reliant upon the skills of its Directors and employees and the loss of any of these members of staff could reduce its ability to achieve its planned investment objective. Utilico and the Manager have endeavoured to ensure that the principal members of their management teams are suitably incentivised, but the retention of such staff cannot be guaranteed.

### **Taxation**

Any change in the Group's tax status or in taxation legislation could affect the value of the investments held by the Group; the Group's ability to provide returns to Shareholders; or alter the post tax returns to Shareholders. Representations in this document concerning the taxation of Shareholders are based on current law and practice, which are subject to change. The information in this document relating to taxation law and practice is given by way of general summary and does not constitute legal or tax advice to Shareholders.

Any change in the tax treatment of dividends or interest received by the Group may reduce the returns to Shareholders.

### **Calculation of Net Asset Value**

In calculating the Group's Net Asset Value the Administrator may rely on the Board's valuations of companies in which Utilico invests. Such valuations may be unaudited or may be subject to little verification or other due diligence and may not comply with generally accepted accounting practices or other valuation principles.

**Dilution**

The Company has a number of Warrants in issue. Exercise of all the Warrants currently outstanding would result in the issue of new Ordinary Shares representing approximately 4.5 per cent. of the Company's current issued share capital. On each occasion that Warrants are exercised this will dilute the shareholdings of Shareholders.

If the NAV per Ordinary Share at the time of exercise of the Warrants exceeds the applicable exercise price, the issue of the Ordinary Shares upon such exercise will also have a dilutive effect on the NAV per Ordinary Share. The extent of such dilution will depend on the number of Warrants that are exercised on each occasion and the difference between the exercise price and the NAV per Ordinary Share prevailing at the time the new Ordinary Shares are issued pursuant to the exercise of the Warrants. The perceived risk of dilution may cause the market price of the Ordinary Shares to reflect a lesser sensitivity to increases in the Net Asset Value per Ordinary Share than might otherwise be expected.

**Suspension of trading**

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

**No Investment Company Act registration**

Neither Utilico nor Utilico Finance has been or will be registered under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which have been or will be applicable to Utilico or Utilico Finance.

**No Takeover Protection**

Utilico is incorporated in Bermuda and is managed and controlled outside the UK. For those reasons the City Code does not apply to Utilico. It is emphasised that, although the Utilico Shares are admitted to the Official List and are traded on the main market for listed securities of the London Stock Exchange, Utilico is not subject to takeover regulation in the UK. It follows that Shareholders are not entitled to the protections afforded by the City Code, and there are no similar protections under Bermuda law. In particular it will be possible for an individual investor or a group of investors acting in concert to acquire Utilico Shares representing 30 per cent. or more of the issued share capital of Utilico or to exercise control over Utilico's affairs without being under an obligation to make an offer to acquire the Utilico Shares not owned by them, as would be required by Rule 9 of the City Code.

As at 30 November 2010, the shareholding of GPLPF represented 52.6 per cent. of the voting rights exercisable on a poll at a general meeting of Utilico. Following the Proposals it is expected that GPLPF and NLPL, which are associated parties as they have the same ultimate beneficial owner, will hold between them more than 50 per cent. of Utilico's issued share capital.

**Enforcement of Judgements**

As Utilico is a Bermuda exempted company, the rights of Shareholders are governed by Bermuda law and the Memorandum of Association and Bye-laws of Utilico. The rights of Shareholders under Bermuda law may differ from the rights of shareholders of companies incorporated in other jurisdictions. Most of the Directors referred to in this document are not residents of the UK and a significant part of the Group's assets is expected to be located outside of the UK. As a result, it may be difficult for investors to effect service of process on those persons in the UK or to enforce UK judgements obtained in the UK courts against Utilico or those persons who may be liable under UK law.

## IMPORTANT INFORMATION

### **Forward-looking statements**

This document includes statements that are, or may be deemed to be “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Group’s intentions, beliefs or current expectations concerning, among other things, the Group’s financial condition, liquidity and prospects.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors discussed in the sections entitled “Risk Factors” on pages 8 to 15 of this document and “Part 2 – Information on the Group”.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflects the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group. Investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision. Subject to the requirements of the Prospectus Rules, the Listing Rules and Disclosure Rules, Utilico undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this document. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 4 of Part 6 of this document.

### **Times and dates**

References to times and dates in this document are, unless otherwise stated, to United Kingdom times and dates.

### **Distribution**

The distribution of this document and the accompanying documents in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this document and the accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws of the jurisdiction concerned. This document and the accompanying documents do not constitute or form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for Utilico Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful. In particular, no Utilico Shares have been, or will be, registered under the United States Securities Act of 1933 (as amended), or under the securities laws of any state or other political sub-division of the United States or under the applicable securities laws of Australia, Canada or Japan. Accordingly, subject to certain exceptions, no Utilico Shares may, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in the United States, Australia, Canada or Japan or for the benefit of any US Person and this document will not be posted to any person in the United States, Australia, Canada or Japan.

No person has been authorised to give any information or to make any representations 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 by the Company. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The delivery of this document shall not under any circumstances imply that the information contained herein is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Group since the date hereof.

## EXPECTED TIMETABLE\*

*2011*

Latest time and date for receipt of Forms of Direction from Savings Plan Participants	2.00 p.m. (10.00 a.m. Bermuda time) on 4 January
Latest time and date for receipt of Forms of Instruction from holders of Depositary Interests	2.00 p.m. (10.00 a.m. Bermuda time) 4 January
Latest time and date for receipt of Forms of Proxy	2.00 p.m. (10.00 a.m. Bermuda time) on 5 January
Latest time and date for receipt of Election Forms from Eclectic Shareholders under the Scheme	12 noon on 5 January
Calculation Date	Close of business on 5 January
Special General Meeting	10.00 a.m. (Bermuda time) on 7 January
2012 ZDP Class Meeting	10.05 a.m. (Bermuda time) on 7 January (or as soon as practicable thereafter as the SGM has concluded or been adjourned)
2014 ZDP Class Meeting	10.10 a.m. (Bermuda time) on 7 January (or as soon as practicable thereafter as the 2012 ZDP Class Meeting has concluded or been adjourned)
2016 ZDP Class Meeting	10.15 a.m. (Bermuda time) on 7 January (or as soon as practicable thereafter as the 2014 ZDP Class Meeting has concluded or been adjourned)
First Eclectic GM	12.00 noon on 7 January
Announcement of results of the First Eclectic GM, the SGM and the Class Meetings	7 January
Second Eclectic GM	12.00 noon on 17 January
Announcement of results of Proposals	17 January
Effective date for the Scheme and the GPLPF Subscription and Eclectic in liquidation	17 January
Admission and dealings in respect of the New Utilico Shares commence	8.00 a.m. on 18 January
CREST accounts credited with Depositary Interests representing New Utilico Shares in uncertificated form	18 January
Certificates for New Utilico Shares in certificated form despatched	on or as soon as practicable after 18 January
Cheques expected to be despatched and CREST payments made to Eclectic Shareholders in respect of the Cash Option	on or as soon as practicable after 18 January

\* All references to times are to London time unless specified otherwise

## DIRECTORS, MANAGER AND ADVISERS

Directors	Michael Collier ( <i>Chairman</i> ) Susan Hansen Warren McLeland Eric Stobart Roger Urwin
Registered Office	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Assistant secretary	Appleby Services (Bermuda) Ltd Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Manager	ICM Limited 19 Par-la-Ville Road Hamilton HM11 Bermuda  A representative of the Manager can be contacted by telephone on: + 44 (0) 1372 271486
Financial Adviser	Westhouse Securities Limited One Angel Court London EC2R 7HJ
Sponsor	Howard Kennedy 19 Cavendish Square London W1A 2AW
Legal Adviser to the Group <i>as to English law</i>	Norton Rose LLP 3 More London Riverside London SE1 2AQ
Legal Adviser to the Group <i>as to Bermuda law</i>	Appleby Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Administrator and Secretary	F&C Management Limited Exchange House Primrose Street London EC2A 2NY  Telephone: +44 (0) 207 628 8000
Reporting Accountants and Registered Auditor	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU

Custodians	<p>JPMorgan Chase Bank, N.A.  125 London Wall  London EC2Y 5AJ  Telephone: +44 (0) 207 777 2000</p>
	<p>Bermuda Commercial Bank Limited  19 Par-la-Ville Road  Hamilton HM11  Bermuda</p>
Registrar	<p>Computershare Investor Services (Jersey) Limited  Queensway House  Hilgrove Street  St Helier  Jersey  JE1 1ES</p>
Depositary and CREST Agent	<p>Computershare Investor Services PLC  The Pavilions  Bridgwater Road  Bristol BS99 6ZZ</p>

# PART 1

## THE PROPOSALS

### **Introduction**

As announced on 6 December 2010, Utilico is seeking Shareholder approval for a change in its investment policy and for other associated matters. The Board has concluded that the current investment policy, restricted predominantly to the infrastructure and utilities sectors, no longer offers long term attractions for Shareholders. The Board is therefore proposing a new investment policy that will allow the Company to invest across a broad range of sectors and markets. The current investment policy and the proposed new investment policy are both set out in full in Part 3 of this document, together with reasons for the proposed change. To reflect the adoption of the new investment policy it is also proposed that Utilico will change its name to Utilico Investments Limited.

The change in the Company's investment policy would give rise to a potential conflict for Utilico's manager, ICM, as Ingot, Utilico's former manager and an affiliate of ICM, manages Eclectic Investment Company plc, which has a similar investment mandate. As Eclectic's investment portfolio contains a number of attractive assets that would comply with Utilico's proposed new investment policy, the Board considers that the most appropriate way to resolve this potential conflict, as well as allowing Utilico to acquire an attractive and diversified portfolio of assets, is for the Company to acquire Eclectic's investment portfolio through a scheme of reconstruction and winding up of Eclectic. This would also lead to potential efficiency savings as the asset base of the Company would increase by the value of the assets acquired. Pursuant to the Scheme, Utilico will acquire all Eclectic's investment portfolio in consideration for a cash payment to Eclectic and the issue of New Utilico Shares to certain Eclectic Shareholders. As a result of this transaction, Utilico's Gross Assets will increase by approximately £14.0 million.

It is also proposed that Utilico acquires 19,965,369 Resolute ordinary shares from GPLPF (having a value, based on their bid price on 30 November 2010 and a A\$/sterling exchange rate of 1.6238 on that date, of £15.0 million) in exchange for New Utilico Shares. The Board and the Manager believe that Resolute is an attractive investment and that it is advantageous to the Company to take this opportunity to increase its holding in this company. This also has the benefit of increasing Utilico's asset base further, which is particularly positive for ZDP Shareholders as it will provide additional ZDP Cover. The New Utilico Shares will be issued to GPLPF at the Utilico FAV per Share as at the Calculation Date with the Resolute ordinary shares being valued at their closing bid price on the same day translated into sterling at the prevailing A\$/sterling exchange rate.

As previously announced to the market, despite having positive revenue earnings in addition to revenue reserves, under Bermuda law, Utilico has been unable to pay a dividend to Shareholders as a result of having negative capital reserves since March 2008. Whilst the bonus issue mechanism used in April this year allowed for some profits representing income to be returned to Shareholders, the Board believes that a more permanent solution is needed. To this end, the Company is proposing to cancel the amount currently standing to the credit of the Company's share premium account as at the date of this document, which will enable it to resume dividend payments. Any such dividends will only be paid out of existing and future revenue profits, which will ensure that the interests of ZDP Shareholders are not prejudiced thereby, and will be made in accordance with Bermuda law.

The Board strongly believes that Utilico will emerge stronger following the implementation of the Proposals and that this will be in the best interests of Shareholders and ZDP Shareholders as whole.

### **Benefits of the Proposals**

The Board believes that the Proposals will have the following advantages:

- the current investment policy requires the Company's assets to be invested predominantly in utility and infrastructure investments. The Board and the Manager believe that this asset class faces challenges and the proposed new investment policy will allow the Company to invest in sectors that may offer more attractive returns;

- under the Scheme the Company will acquire a portfolio of assets which are, in the Manager's opinion, attractive investments;
- Eclectic will cease to exist, which will eliminate a potential source of conflicts of interest for ICM and Ingot as affiliates and investment managers of two investment companies with similar investment policies;
- the Company's asset base will increase, which should have a beneficial effect on the Company's total expense ratio;
- the ZDP Cover will be improved through the increase in the Company's Gross Assets; and
- the Share Premium Cancellation will enable the Company to distribute its revenue earnings by way of dividend in accordance with Bermuda law.

### **Valuations for the Scheme**

New Utilico Shares will be issued to Eclectic Shareholders who elect to receive New Utilico Shares under the Scheme on the basis of the Eclectic FAV per Share and the Utilico FAV per Share as at the Calculation Date. The Eclectic FAV per Share and the Utilico FAV per Share will be based on the Net Asset Value of Eclectic and Utilico as calculated in accordance with their normal accounting policies (which are substantially similar) but adjusted as follows:

- by deducting from the net asset value of the Eclectic Shares (i) all known costs of the Scheme and of its liquidation incurred or to be incurred by Eclectic and all other known liabilities of Eclectic and (ii) the Liquidators' retention (expected to be £50,000) to cover unknown liabilities; and
- by deducting from the net asset value of the Utilico Shares all known costs of the Proposals incurred or to be incurred by Utilico.

### **The Cash Option**

Under the Cash Option, Eclectic Shareholders may elect to dispose of some or all of their Eclectic Shares for cash equivalent to 95 per cent. of the Eclectic FAV per Share. Based upon the illustrative ratio given above this would represent a premium of 19.6 per cent. to the closing share price of an Eclectic Share as at 30 November 2010. If no form of election is received by Eclectic, the relevant Eclectic Shareholder will be deemed to have elected for the Cash Option in respect of their entire holding of Eclectic Shares.

Eclectic Shareholders who are resident outside the United Kingdom, the Channel Islands and the Isle of Man will be deemed to have elected for the Cash Option under the Scheme. This is subject to the discretion of the Independent Directors and the Independent Eclectic Directors to allow such Eclectic Shareholders to elect for Utilico Shares provided that the Independent Directors and the Independent Eclectic Directors are satisfied that such Eclectic Shareholders can be issued New Utilico Shares without breaching any relevant securities laws or regulations and without the need for compliance on the part of Utilico or Eclectic with any overseas laws, regulations, filing requirements or the like.

### **Illustrative financial effects of the Scheme**

For illustrative purposes only, if the Scheme had become effective at close of business on 30 November 2010 (being the latest practicable date prior to the publication of this document) and based on the assumptions set out below, the Eclectic FAV per Share would have been 107.66 pence and the Utilico FAV per Share would have been 204.31 pence. Based on the assumptions set out below, an Eclectic Shareholder would receive approximately 0.527 New Utilico Shares in respect of each Eclectic Share held.

On this basis, an Eclectic Shareholder would receive New Utilico Shares with an aggregate market price of £798.21 for every 1,000 Eclectic Shares held, which have an aggregate market price of £855.00, based on the closing share price of an Eclectic Share as at 30 November 2010. On this basis, Utilico would issue up to 6,668,737 New Utilico Shares, representing 7.7 per cent. of the existing issued Ordinary Shares.

It should be noted that these figures are given for illustrative purposes only and should not be regarded as a forecast of the actual Eclectic FAV per Share or the actual Utilico FAV per Share to be calculated on the Calculation Date.

### ***Assumptions***

1. As at close of business on 30 November 2010, the middle market share price of an Eclectic Share was 85.5 pence and of a Utilico Share was 151.75 pence;
2. As at close of business on 30 November 2010, the unaudited NAV per Eclectic Share and the unaudited Eclectic FAV per Share were 109.51 pence and 107.66 pence respectively;
3. As at close of business on 30 November 2010, the unaudited NAV per Utilico Share and the unaudited Utilico FAV per Share were 205.03 pence and 204.31 pence respectively;
4. Shareholders holding 71.83 per cent. of the Eclectic Shares validly elect for New Utilico Shares in respect of their entire holdings) being those who have given irrevocable undertakings to roll-over their investments);
5. Current period revenue reserves are included within the relevant NAV calculations;
6. Eclectic's total costs in implementing the Proposals are £275,000;
7. The retention proposed by the Liquidators to cover unknown liabilities of Eclectic is £50,000;
8. Utilico's total costs in implementing the Scheme and associated matters are £625,000;
9. Completion of the Proposals as described herein; and
10. No account of the Warrants is taken in calculating the Utilico FAV per Share.

### **Funding the Cash Option**

The beneficial holders of 71.83 per cent. of the Eclectic Shares have irrevocably undertaken to elect for New Utilico Shares under the Scheme. If all other Eclectic Shareholders elect, or are deemed to elect, for the Cash Option the maximum aggregate cash required by Eclectic to satisfy those elections would be approximately £5.1 million, based upon 95 per cent. of the illustrative FAV per Eclectic Share shown above. In order to ensure that Eclectic has sufficient cash, Utilico has agreed to enter into the Sale and Purchase Agreement shortly before the Second Eclectic GM. Under the Sale and Purchase Agreement, Utilico will purchase certain investments from Eclectic (valued as at the Calculation Date in the same manner as if they would be transferred pursuant to the Scheme) in consideration for a cash payment. These assets will be investments within Utilico's current investment policy. The amount of assets sold to Utilico under the Sale and Purchase Agreement will depend on elections received under the Scheme and Eclectic's other cash requirements and cannot, therefore, be determined in advance of the Scheme concluding. The Sale and Purchase Agreement is not conditional upon the completion of the Scheme.

### **Further information of the GPLPF Subscription**

As part of the Proposals, GPLPF has agreed, subject to Shareholder approval, to subscribe for New Utilico Shares in consideration for the acquisition by Utilico, in accordance with Utilico's proposed investment policy, of 19,965,369 Resolute ordinary shares (having a value as at 30 November 2010 of £15.0 million, based on the closing bid price of a Resolute ordinary share on the Australian Stock Exchange and a A\$/£ sterling exchange rate of 1.6238 as at that date).

Resolute is incorporated in Western Australia and has its registered office at 4th Floor, The BGC Centre, 28 The Esplanade, Perth, Western Australia 6000. Resolute is a developer and operator of gold projects, with operations in Africa, principally in Mali and Tanzania, and in Australia. Its ordinary shares, convertible notes and listed options are quoted on the official list of the Australian Stock Exchange.

As a result of the significant market turmoil in 2008 and the resultant flight to safety by many investors, both the equity and debt markets closed to Resolute, which was left with a significant funding gap, as it required capital to complete the development of the Syama gold mine in Mali. Utilico and Eclectic invested, net of realisations, £18.6m and £3.4m respectively in ordinary shares, loan notes, convertible loan notes and secured options over Resolute's equity. The value of these investments by Utilico and Eclectic has increased from an aggregate £22.0m total cost, net of realisations, to £75.4m today, an increase of over 3.4 times.

In the year to 30 June 2010, Resolute's operations yielded in excess of 350,000 ounces of gold at a cash cost of A\$741 per ounce. The re-development of the Syama project in Mali has been completed and is now operational and in Tanzania drilling at Kasav has identified a large low grade resource within 7km of the Golden Pride mine. Resolute's financial results reported revenues of A\$342.5m, up 14.3 per cent. on the previous year, and a profit before treasury, tax and finance costs of A\$36.0 million. As at 30 June 2010, Resolute had consolidated net assets of A\$283.0 million. On 20 September 2010 Resolute raised A\$40.0m by way of the issue of new equity, the proceeds of which were to be used primarily to close out the Group's gold derivative contracts, effectively unhedging the Group and fully exposing it to gold price movements and the balance for working capital and general corporate purposes. Resolute announced on 18 October 2010 that it had closed out all its gold hedge positions at a total net cost of A\$80 million.

Utilico currently has an interest in 25,000,000 ordinary shares, 60,011,871 convertible loan notes, 16,150,491 listed options and 2,250,000 unlisted options in Resolute. As at 30 November 2010 (the latest practicable date prior to the publication of this document) these assets were valued at £70.6 million in aggregate and represented 19.1 per cent. of Gross Assets. Eclectic has an interest in 500,000 ordinary shares and 5,711,667 convertible loan notes in Resolute with an aggregate value as at the same date of £4.8 million.

The Directors, advised by the Manager, believe that these investments and the opportunity to acquire further Resolute ordinary shares pursuant to the GPLPF Subscription, offer counter cyclical diversification through exposure to the gold sector and that they still remain undervalued with potential for significant upside.

The 19,965,369 ordinary shares in Resolute to be acquired by the Company from GPLPF will be valued at closing bid price on the Australian Stock Exchange as at the Calculation Date translated into sterling at the A\$/sterling exchange rate on that date and the New Utilico Shares issued in consideration will be valued at the Utilico FAV per Share as at the Calculation Date. Based upon valuations and the A\$/£ sterling exchange rate as at 30 November 2010, the satisfaction of the consideration would result in the issue of 7,341,748 New Utilico Shares to GPLPF, representing 8.5 per cent. of the current issued share capital and 7.3 per cent. of the enlarged issued share capital of Utilico on the assumption that the Scheme is also implemented and that all Eclectic Shareholders (other than those who have irrevocably undertaken to elect for New Utilico Shares) elect for, or are deemed to elect for, the Cash Option pursuant to the Scheme.

GPLPF is interested in 52.6 per cent. of the current issued share capital of Utilico and accordingly the GPLPF Subscription constitutes a related party transaction for the purposes of the Listing Rules. It is therefore conditional on the approval of the Shareholders excluding GPLPF and any of its associates. If the GPLPF Subscription and the Scheme are both implemented, based on the assumptions in relation to the elections made for the Cash Option and the valuations set out above, GPLPF will be interested in 52,778,632 Utilico Shares representing 52.6 per cent. of the enlarged issued share capital of Utilico.

If the GPLF Subscription and the Scheme are both implemented and based upon the valuations set out above, immediately following the Effective Date, Utilico will hold 45,465,369 ordinary shares, 65,723,538 convertible loan notes, 16,150,491 listed options and 2,250,000 unlisted options in

Resolute with an aggregate valuation as at 30 November 2010 (the latest practicable date prior to the publication of this document) of £90.4 million, representing 22.5 per cent. of gross assets as enlarged by the Proposals.

The Company will on completion of the Proposals hold an interest in 20.8 per cent. of Resolute's voting power on a fully diluted basis. If all of the options and convertible loan notes held by the Company and Eclectic were exercised (and assuming the Company acquired all such instruments held by Eclectic), the Company and its associates (for the purposes of Australian law) would have an interest in 33.2 per cent. of the voting power of Resolute.

The Australian Corporations Act (Cth) 2001 contains rules governing the acquisition of substantial interests in companies listed on the Australian Securities Exchange (**ASX**). Under these rules, a person is prohibited from acquiring a relevant interest in the voting shares of a company listed on ASX where either that person's or someone else's voting power increases from 20 per cent. or below to more than 20 per cent. or increases from a starting point that is above 20 per cent. and below 90 per cent. (the **General Prohibition**). This General Prohibition is subject to a number of exceptions, including:

- **3 per cent. creeping acquisitions:** a person (and their associates) can increase their holding in a target company by up to 3 per cent. every 6 months without making a takeover bid on the condition that that person (and their associates) has held at least 19 per cent. for 6 months; and
- **Shareholder approval:** obtaining the approval of shareholders in general meeting to approve the issue of shares to or the acquisition of shares by a person who would otherwise breach the General Prohibition.

At Resolute's annual general meeting which was held on 30 November 2010, a resolution was passed to allow the exercise of the options and convertible loan notes held by associates of Utilico. This resolution should also allow the exercise of the options and convertible loan notes held by Utilico without any breach of the General Prohibition.

### **Illustrative financial effects of the Proposals**

By way of illustration only, based on the Group's unaudited Net Asset Value of £177.1 million as at 30 November 2010 (being the latest practicable date prior to the publication of this document), had the Scheme become effective and the GPLPF Subscription taken place at the date of this document, the Group's Net Asset Value would have been increased by 16.0 per cent. (such increase representing the aggregate of (i) the unaudited Net Asset Value of Eclectic of £19.3 million, (as at 30 November 2010, being the latest practicable date prior to the publication of this document) adjusted for the Cash Option (assuming this is taken up by all the Eclectic Shareholders other than those who have irrevocably undertaken to elect for New Utilico Shares) and for all expenses in relation to the Scheme and (ii) the value of the assets acquired pursuant to the GPLPF Subscription of £15.0 million. This statement is unaudited and is solely for illustrative purposes only, represents a hypothetical situation and, therefore, does not reflect the Group's actual financial position or results.

### **Conditions to the Proposals**

Each of the Resolutions (other than the resolution to be proposed at the SGM to approve the Scheme as a related party transaction) is conditional upon all of the other Resolutions and the Eclectic Resolutions being passed by the requisite majorities. Accordingly, if any of the Resolutions or the Eclectic Resolutions are not passed no element of the Proposals will be implemented, other the acquisition of assets under the Sale and Purchase Agreement, which may be implemented without the Eclectic Resolutions to be proposed at the Second Eclectic GM being passed.

### **Costs of the Proposals**

The costs to be incurred by Utilico in connection with the Proposals are expected to be approximately £625,000 (including irrecoverable VAT but excluding any UK stamp duty on the assets transferred to the Group pursuant to the Scheme and the Sale and Purchase Agreement). These include legal and other professional fees and expenses and will be paid by Utilico.

## **Dilution**

The Scheme and the GPLPF Subscription will result in the Company issuing a large number of New Utilico Shares. The New Utilico Shares to be issued pursuant to the GPLPF Subscription and pursuant to the Scheme will be issued at the Utilico FAV per Share as at the Calculation Date. The effect of this is that the dilution to the Net Asset Value per Share immediately prior to the Calculation Date will be minimal and will be represented by the Company's expected costs of the Proposals, as set out in the paragraph above.

The issue of New Utilico Shares pursuant to the Scheme and the GPLPF Subscription will, however, have a dilutive effect on the voting rights of existing Shareholders. The extent of the dilution cannot be ascertained until the Calculation Date but, by way of illustration only, if the Scheme and GPLPF Subscription had taken place on 30 November 2010 and based on the respective net asset values per Share, the illustrative Utilico FAV per Share, the Eclectic FAV per Share and the Resolute Assets on that date, 14,010,486 New Utilico Shares would have been issued, representing approximately 16.2 per cent. of the Company's issued share capital. On this basis, an existing Shareholder who held 10 per cent. of the voting rights immediately prior to the completion of the Scheme and the GPLPF Subscription would have had his voting rights reduced to 8.4 per cent. This represents a reduction of 16.2 per cent. These figures are for illustrative purposes only and the actual extent of the dilution for existing Shareholders that will occur if the Scheme and the GPLPF Subscription take place will only be known following the Calculation Date.

## **Overseas shareholders**

The availability of the Scheme to Eclectic Shareholders who are not resident in the United Kingdom, the Channel Islands and the Isle of Man (**Overseas Eclectic Shareholders**) may be affected by the laws of their relevant jurisdiction. In order to avoid any inadvertent breach of overseas securities laws, Overseas Eclectic Shareholders shall be deemed to have elected to receive the Cash Option under the Scheme. Notwithstanding any other provision of this document, the Company and Eclectic reserve the right to permit any Overseas Eclectic Shareholders to receive New Utilico Shares under the Scheme if the Independent Directors and the Independent Eclectic Directors, in their sole and absolute discretion, are satisfied at any time prior to the Calculation Date that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

## **Announcement of the results of the Proposals**

The results of the Proposals will be announced via a RNS service of the London Stock Exchange on or around 17 January 2011. In relation to the Scheme, this announcement will include the number of New Utilico Shares to be issued pursuant to the Scheme, the Utilico FAV per Share, the Eclectic FAV per Share and the number of Eclectic Shareholders who have elected to receive New Utilico Shares pursuant to the Scheme. Eclectic will also release an announcement via an RNS service setting out similar details.

In relation to the GPLPF Subscription, the announcement will include the number of New Utilico Shares being issued to GPLPF, the Utilico FAV per Share and the closing mid market value of a Resolute ordinary share as at the Calculation Date translated in sterling at the prevailing A\$/sterling exchange rate.

## **Admission and dealings**

Application will be made for the New Utilico Shares to be admitted to a premium listing on the Official List and to trading on the main market for listed securities of the London Stock Exchange.

The New Utilico Shares to be issued pursuant to the Scheme and the GPLPF Subscription will be issued in registered form and may be held either in certificated form or as Depositary Interests in uncertificated form and settled through CREST.

CREST is a computerised paperless settlements system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer. Foreign securities cannot be held or traded in the CREST system. To enable investors to settle their New Utilico Shares through CREST, the Depositary will hold the relevant New Utilico Shares and will issue dematerialised Depositary Interests representing the underlying New Utilico Shares to the relevant investors.

The Depositary will hold the New Utilico Shares on trust for the respective underlying Utilico Shareholders. This trust relationship is documented in a deed executed by the Depositary. This deed also sets out the procedure for holders of Depositary Interest holders to vote at general meetings of Utilico and to exercise other procedural rights, which will be transferred to the Depositary with the New Utilico Shares.

The Depositary Interests are independent, English securities and are held on a register maintained by the Registrar. The Depositary Interests have the same security code as the New Utilico Shares that they represent and do not require a separate admission to the London Stock Exchange.

Shareholders wishing to settle Utilico Shares through CREST can transfer their holding to the Depositary, which will then issue Depositary Interests representing the transferred Utilico Shares. The Depositary Interest holder will not hold a certificate evidencing the underlying Utilico Share. Depositary Interests are issued on a one for one basis against the Utilico Shares that they represent for the purposes of, for example, determining eligibility for dividend payments. Any payments received by the Depositary will be passed on to each Depositary Interest holder noted on the Depositary Interest register as the beneficial owner of the relevant Utilico Shares.

Participation in CREST is voluntary and Shareholders who wish to hold Utilico Shares outside of CREST will be entered on the Jersey Branch register and issued with a share certificate evidencing ownership.

Application will be made by the Depositary for Depositary Interests representing the New Utilico Shares to be admitted to CREST on Admission.

Investors should be aware that Utilico Shares delivered in certificated form are likely to incur, on an ongoing basis, higher dealing costs than those Utilico Shares held through CREST. Shares initially issued in certificated form may subsequently be exchanged for Depositary Interests, which can be deposited into CREST in accordance with the procedure described above. Certificates in respect of New Utilico Shares issued in certificated form are expected to be despatched on 18 January 2011 or as soon as practicable thereafter.

Temporary documents of title will not be issued pending the delivery of New Utilico Shares to the persons entitled thereto and, during that period, transfers will be certified against the register of Shareholders.

## **PART 2**

### **INFORMATION ON THE GROUP**

#### **Introduction**

Utilico is an exempted, closed-ended investment company incorporated in Bermuda with limited liability, and was established as a successor company to Utilico Investment Trust plc. Trading in the Company's shares and warrants commenced on 20 June 2007.

The Company's current investment objective is to provide long-term capital appreciation by investing predominantly in infrastructure, utility and related companies (including other investment companies investing in those companies).

The Company is publishing this document in order to allow it to offer New Utilico Shares to Eclectic Shareholders pursuant to the Scheme and to obtain admission for those New Utilico Shares, and the New Utilico Shares to be issued pursuant to the GPLPF Subscription, to a premium listing on the Official List of the UK Listing Authority and to trading on the main market for listed securities of the London Stock Exchange.

#### **Investment policy**

The Company's current investment policy is set out in Part 3 of this document. The new investment policy that the Company will adopt if Shareholder approval at the SGM and ZDP Shareholder approval at the Class Meetings is obtained and the Eclectic Resolutions are passed is also set out in full in Part 3.

#### **Investment outlook**

The investment outlook remains uncertain as significant issues remain for global equity markets; the management of debt burdens (particularly sovereign debt) and the return to growth. The Directors believe that a number of factors will eventually return to long term norms, such as interest rates, the level of market intervention by government and sovereign debt levels, and until this is achieved, equity markets will remain uncertain and unpredictable.

However, this uncertainty will also present opportunities for investment identified through detailed analysis and market knowledge and understanding. In addition, the application of financial structuring techniques and the use of investment instruments and structures to minimise and hedge risk will provide further downside risk protection.

#### **Investment portfolio**

Details of the ten largest investments in the Company's portfolio, its geographical spread and sectoral weighting, all as at 30 November 2010 (being the latest practicable date prior to the publication of this document), are set out in Part 4 of this document.

#### **Profile of typical investor**

An investment in the Utilico Shares is intended for institutional or high net worth/sophisticated investors who are seeking exposure to a wide range of sectors and markets through a relatively concentrated portfolio of investments and are aware of the risks, including the potential volatility, of investing in both developed and emerging markets. Any investor must be able to accept the possibility of losses and an investment in Utilico Shares is only intended for investors who can afford to set aside the invested capital for a number of years.

#### **Dividend policy**

Utilico has not paid a dividend since its incorporation and is currently unable to pay dividends under Bermuda law, as it has negative capital reserves. The negative balance is substantial and, as at 30 June 2010, it would require the assets of Utilico to increase by approximately £138 million before dividends

can be paid. In light of this, the Directors have proposed the Share Premium Cancellation, which would eliminate the capital reserve deficit and enable the Company to pay dividends from its revenue reserves, subject to compliance with Bermuda law. The Share Premium Cancellation is conditional on approval by Shareholders and ZDP Shareholders and the passing of the Eclectic Resolutions. Accordingly there is no guarantee that it will be completed.

If the Share Premium Cancellation is completed, the Directors anticipate distributing by way of dividend the majority of net revenue arising from normal income streams (such as dividends from investments) less costs (such as management fees). Any dividends payments would be made in accordance with Bermuda law.

### **Borrowings and borrowing policy**

Under the Bye-laws, the Board is obliged to restrict Utilico's borrowings to an aggregate amount equal to 100 per cent. of the Gross Assets.

However, the Board has set a current limit on gearing (being total borrowings measured against gross assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings will be drawn down in sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

Leverage on the Utilico Shares is increased by the Group's use of the ZDP Shares, which do not count toward the borrowing limit in the Bye-laws.

### **Capital structure**

Utilico's share capital is comprised of Utilico Shares. It has also issued Warrants, which carry the right to subscribe for Utilico Shares as described in further detail below. Utilico Finance, a wholly owned subsidiary of Utilico, has issued the ZDP Shares. Utilico is required to provide funds to Utilico Finance to pay the redemption amount of the ZDP Shares on each of the ZDP Repayment Dates. The Utilico Shares, Warrants and ZDP Shares are admitted to the Official List of the UK Listing Authority and traded on the main market for listed securities of the London Stock Exchange.

#### ***Characteristics of the Utilico Shares***

- *Dividends*  
Shareholders will be entitled to all the net income of Utilico to be distributed. There is no guarantee that any dividends will be paid as the Company's ability to do so is dependent on the Share Premium Cancellation being completed and on the Company having sufficient revenue profits and/or revenue reserves to pay them.
- *Capital entitlement*  
On a winding up, after satisfying all liabilities of Utilico (including its obligation under the Subscription Agreement to make payments to Utilico Finance equal to the amounts which Utilico Finance is liable to pay to the holders of the ZDP Shares on their redemption in accordance with Utilico Finance's Bye-laws), Utilico Shareholders will be entitled to all the remaining assets of Utilico.
- *Voting rights*  
Utilico Shareholders will be entitled to attend and vote at all general meetings of Utilico.

Further details of the rights attaching to the Utilico Shares are set out in paragraph 6 of Part 8 of this document.

As a result of the issue of ZDP Shares by Utilico Finance, the Utilico Shares are geared by the rising capital entitlements of the ZDP Shares. As the ZDP Shares rank for payment of the relevant redemption amounts in priority to any return being paid to the Utilico Shares (save in respect of the Winding-Up Revenue Profits), a positive Net Asset Value for the Utilico Shares is dependent upon liabilities of the Group.

## **Warrants**

As at the date of this document, there were 3,588,617 Warrants in issue. Each Warrant entitles the holder to subscribe for 1.090909 ordinary shares at a subscription price of 288.75p. The Warrants can be exercised on 30 April and 31 October each year until the final exercise date of 30 April 2012.

If all of the Warrants were exercised 3,914,855 Utilico Shares would be issued, representing approximately 4.5 per cent. of Utilico's issued share capital as at the date of this document and 3.9 per cent. of Utilico's enlarged share capital (assuming the Scheme and the GPLPF Subscription are completed (with all the Eclectic Shareholders, other than those who have irrevocably undertaken to elect for the New Utilico Shares, electing or being deemed to elect for the Cash Option in respect of all of their Eclectic Shares) and on the basis of the other assumptions set out under the heading "Dilution" in Part 1 of this document.

## **Repurchases of Shares and Warrants**

At its annual general meeting held on 2 December 2010, Utilico was granted the authority to make market purchases of up to 14.99 per cent. of the Utilico Shares in issue as at that date. Utilico, as the sole ordinary shareholder of Utilico Finance, granted Utilico Finance authority to repurchase ZDP Shares at Utilico Finance's annual general meeting held on the same date. The Directors would use these authorities with the objective of enhancing shareholder value. Purchases will only be made within guidelines established from time to time by the Board.

The price paid for each class of share will be within the maximum price permitted by the UK Listing Authority and in accordance with the Bermuda Companies Act and the Bye-Laws, and in any event no purchase of Ordinary Shares will be made at a price in excess of the diluted NAV per Ordinary Share (at a date determined by the Directors falling not more than 10 days before the date of purchase). Any Ordinary Shares may only be purchased at a price such that immediately after such purchase the ZDP Cover would be at least 1.4 times. Purchases of ZDP Shares will be made at a price not exceeding their accrued capital entitlement (at a date determined by the directors of Utilico Finance falling not more than 10 days before the date of purchase) unless the directors of Utilico Finance determine that a purchase at a higher price is in the interests of ZDP Shareholders.

Bermuda companies are permitted to hold shares acquired by way of market purchase in treasury rather than having to cancel them. Such shares may be subsequently cancelled or sold for cash. Accordingly, Utilico and Utilico Finance may hold each class of share purchased pursuant to share buy backs in treasury. This will give Utilico and Utilico Finance the ability to sell shares from treasury quickly and in a cost efficient manner and would provide Utilico and Utilico Finance with additional flexibility in the management of its capital base. The Board has recommended that Ordinary Shares held in treasury would not be re-issued at a price below the prevailing diluted NAV and ZDP Shares would not be re-issued at a price below their accrued capital entitlement.

Under the terms of the Warrant Instrument the Company has the ability to buy-back Warrants. Any Warrants bought back by the Company will be cancelled and shall not be available for re-issue.

It is proposed that any purchases of shares would be funded from Utilico's or Utilico Finance's own cash resources or, if appropriate, from short-term borrowing.

The Board will endeavour to make any purchases of Utilico Shares and ZDP Shares proportionally in order to maintain the Group's capital structure. However, there may be timing differences in such purchases, or it may prove impracticable or uneconomic to purchase sufficient (or any) shares of the relevant class which may lead to short or longer term imbalances in the Group's capital structure.

## **Further issues**

Subject to market conditions then prevailing and to all necessary consents and approvals being obtained, the boards of directors of Utilico and Utilico Finance may decide to make one or more further issues of their Shares and/or Warrants for cash from time to time.

Utilico's and Utilico Finance's authorised share capital is such that further issues of shares and Warrants can be made. At the 2010 AGM, held on 2 December 2010, pre-emption rights for existing Utilico Shareholders were incorporated into the Bye-Laws. The new pre-emption rights apply on the issue of Utilico Shares for cash consideration only and therefore do not apply to the issue of New Utilico Shares pursuant to the Scheme or the GPLPF Subscription. There are no pre-emption rights for ZDP Shareholders. No Utilico Shares will be issued at a price less than the Net Asset Value per Utilico Share and no ZDP Shares will be issued at a price which has the effect of reducing the ZDP Cover or any class of ZDP Shares, at or around the time of the issue of such additional ZDP Shares, below 1.5 times without the approval of the relevant class of ZDP Shareholders by special resolution.

### **Life of Utilico and Utilico Finance**

As Utilico is a long term investment vehicle, it does not have a termination date or any periodic continuation votes.

It will not be necessary to liquidate Utilico Finance in connection with the redemption of the ZDP Shares.

### **Overseas investors**

The attention of persons resident outside the UK is drawn to paragraph 6.2.9 of Part 8 of this document, which contains restrictions on the holding of Ordinary Shares by such persons.

### **Taxation**

It is the intention of the Directors that Utilico will continue to be managed in such a way as to ensure that it is only resident in Bermuda for tax purposes. Potential investors are referred to Part 7 of this document for details of the taxation of Utilico and of certain Shareholders and Warrantholders.

**Any information given in this document concerning tax is based on current law and regulation (which may change), is given by way of general summary only and does not constitute legal or tax advice to any Shareholder or investor. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Shares, they should seek advice from their own professional advisers.**

### **ISAs**

Insofar as is possible, the Directors intend to manage the affairs of Utilico so that the Utilico Shares will be qualifying investments for the purposes of ISAs. Accordingly, the Utilico Shares will be eligible for inclusion in the stocks and shares components of an ISA, subject to applicable subscription limits, and provided that the ISA manager has been issued the Utilico Shares under the Scheme or acquired them through the secondary market following Admission.

### **Risk Factors**

Utilico's business is dependent on many factors and potential investors are advised to read the whole of this document, and in particular the section of this document entitled "Risk Factors" on pages 8 to 15.

### **Further Information**

The attention of investors is drawn to the information contained in Part 1 and Parts 3 to 8 of this document which provide additional information on the Group.

## PART 3

### INVESTMENT POLICY

#### **Current investment objective**

The Company's current investment objective is to provide long term capital appreciation by investing predominantly in infrastructure, utility and related companies (including other investment companies investing in those companies).

#### **Current investment policy**

The Company's current investment policy is as follows:

The Company's investment policy is flexible and permits it to make investments predominantly in developed markets and in existing utilities and related sectors, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new utilities which may arise. The Company may also invest in businesses which supply services to, or otherwise support, the utilities and related sectors.

The Company focuses on the developed markets of Australasia, Western Europe and North America but has the flexibility to invest in markets worldwide. The Company generally seeks to invest in developed markets countries where the Directors believe there are attributes such as political stability, economic development, an acceptable legal framework and an encouraging attitude to foreign investment.

In emerging markets, Utilico invests indirectly through its holding in Utilico Emerging Markets Limited.

#### ***Borrowings***

The Group is permitted to borrow an aggregate amount equal to 100 per cent. of the Group's Gross Assets. However, the Board has set a current limit on gearing (being total borrowings measured against gross assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings will be drawn down in Sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

The structural gearing provided by the ZDP Shares does not count towards the borrowing limit.

#### ***Unquoted investments***

Unquoted and untraded investments, excluding the Group's investment in Global Equity Risk Protection Limited, should not collectively exceed 20 per cent. of Gross Assets at the time any such individual investment is made.

#### ***Single investments***

No single quoted investment may exceed 30 per cent. of Gross Assets at the time the investment is made.

#### ***Hedging***

The Manager will follow a policy of actively hedging the market and balance sheet risks faced by Utilico.

#### **Background to and reasons for the proposed change to the investment policy**

The Board and ICM have reviewed and discussed at length the merits of the current investment policy. This review concluded that the infrastructure and utilities sectors in emerging markets remain attractive. However, in developed markets this is not the case and in such markets these asset classes face a number of challenges, namely the following:

- Low growth. GDP growth in certain developed markets is likely to be depressed for a number of years. This arises from various factors, including declining populations, ageing populations and significant capital requirements to reduce both personal and sovereign debt levels exacerbated by current financial market pressures.

- High debt. A number of utility and infrastructure investment opportunities require significant debt finance. The ability to roll this debt over into the next cycle will be challenging given the increased margin and asset cover requirements that many lenders have imposed following the recent credit crisis. Further, many lenders are likely to need to reduce their loan books to meet regulatory requirements and reduce risk. This poses an additional risk to equity investors.
- Uncertain political environment. Governments are under severe constraints to redress sovereign debt concerns. In Europe this is being met by the imposition of severe austerity measures in a number of countries, which is likely to result in a reduction in government spending on infrastructure and related projects, and an increase in protectionist tax and regulation. This was illustrated by the Spanish response to the solar industry where the Spanish Government has unilaterally reduced the feed-in tariffs for new solar energy projects and has publicly considered that this decision should have retrospective effect.
- Smaller investment universe. The strength of Utilico's manager, ICM, has been in exploiting quoted investments and ICM's investment team is structured to focus on this. However, the pool of listed utility and infrastructure investments in the developed markets has reduced significantly in recent times. In the UK, a number of utility and infrastructure companies have been taken private, including BAA and many of the water and power generation and supply companies. The reduced pool of listed investments limits ICM's investment flexibility. While there is a requirement for significant investment in this sector the Board believes that this is likely to be through public private finance initiatives or in the private equity arena, which is not ICM's core strength.

The Board is therefore proposing a new investment objective and a new investment policy, which will allow the Company to invest across all sectors and markets. This will position Utilico as an absolute return fund, utilising strengths in infrastructure and utilities investment as well as in the wider market. The Board expects the investment outlook to change as the world's economies are rebalanced and that the wider flexibility offered by the new investment policy will be beneficial to Utilico's Shareholders and indirectly ZDP Shareholders.

### **Proposed new investment objective and policy**

If all of the Resolutions and the Eclectic Resolutions are passed by the requisite majorities, the Company's new investment objective and investment policy will be as follows:

#### ***Proposed investment objective***

Utilico's investment objective will be to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price.

#### ***Proposed investment policy***

Utilico will seek to invest in undervalued investments and under its proposed investment policy will have the flexibility to make investments in a wide range of sectors and markets.

The Company will identify and invest in opportunities where the underlying value is not reflected in the market price. This perceived undervaluation may arise from any number of factors including technological, market motivation, prospective financial engineering opportunities, competition or shareholder apathy.

In the short to medium term it is anticipated that the Company will continue to have a significant proportion of its Gross Assets invested in developed markets in existing utilities and related stocks, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new utilities which may arise. The Company may also invest this segment of its portfolio in businesses which supply services to or otherwise support the utilities and related sectors.

Subject to compliance with the Listing Rules in force from time to time, Utilico may invest in other investment companies or vehicles, including any managed by the Manager, where such investment would be complementary to the Company's investment objectives and policy.

The Company will continue to have the flexibility to invest in any instrument appropriate to the particular opportunity under consideration, including shares, bonds, convertibles, options, warrants, futures and debt securities and to invest in unlisted securities. The Company may use derivative instruments for the purposes of efficient portfolio management and to obtain investment exposure, such as contracts for difference, financial futures, call and put options and warrants. The Company may from time to time seek to actively protect the Company's portfolio and balance sheet from major market corrections. This may include foreign currency hedges, interest rate hedges, stock market index options and similar instruments.

The Company will have the flexibility to invest in markets worldwide although investments in the utilities and infrastructure sectors will principally be made in the developed markets of Australasia, Western Europe and North America, as Utilico's exposure to the emerging markets utilities and infrastructure sectors will primarily be through its holding in Utilico Emerging Markets Limited. Utilico will have the flexibility to invest directly in these sectors in emerging markets with the prior agreement of Utilico Emerging Markets Limited.

The Company believes it is appropriate to support investee companies with their capital requirements while at the same time maintaining an active and constructive shareholder approach through encouraging the organisation of capital structure and business efficiencies. The Manager's investment team will maintain regular contact with investee companies and Utilico may often be among the largest shareholders. There are no limits on the proportion of an investee company that Utilico may hold and Utilico may take legal or management control of a company from time to time.

The Company aims to maximise value for Shareholders through a relatively concentrated portfolio of investments. There will be no fixed limits on the allocation of investments between sectors and markets, however the following investment limits will apply:

- investments in unlisted companies will in aggregate not exceed 20 per cent. of Gross Assets at time that any new investment is made; and
- no single investment will exceed 30 per cent. of Gross Assets at the time such investment is made, save that this limit shall not prevent the exercise of warrants, options or similar convertible instruments acquired prior to the relevant investment reaching the 30 per cent. limit.

Under the Bye-laws, the Group is permitted to borrow an aggregate amount equal to 100 per cent. of the Group's Gross Assets. Borrowings will be drawn down in any currency appropriate for the portfolio.

However, the Board has set a current limit on gearing (being total borrowings measured against gross assets) not exceeding 33.3 per cent. at the time of draw down. Borrowings will be drawn down in sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

As required by the Listing Rules, there will be no material change to the investment policy without prior approval of Shareholders. Any such change would also require the consent of the ZDP Shareholders in accordance with the Subscription Agreement.

## PART 4

### THE INVESTMENT PORTFOLIO

#### 1 Utilico's current portfolio

- 1.1 The following table provides unaudited summary details of the ten largest investments in the Company's portfolio on a look through basis as at 30 November 2010 (being the latest practicable date prior to the publication of this document).

<i>Company</i>	<i>Market value (£'000)</i>	<i>Percentage of Gross Assets</i>
Resolute Mining	70,621	18.9%
Trust Power Ltd	48,719	13.1%
Jersey Electricity Ltd	17,987	4.8%
Infratil Energy Australia	14,829	4.0%
Wellington Airport	11,436	3.1%
Vix Technology Pty	10,864	2.9%
Ocean Wilsons Holdings	9,863	2.6%
Keytech Ltd	9,639	2.6%
Renewable Energy Generation	9,559	2.6%
Malaysia Airport Holdings	9,441	2.5%
	<u>212,959</u>	<u>57.1%</u>

*Source: Company*

- 1.2 The following table shows the geographical weighting of the Company's portfolio on a look through basis as at 30 November 2010 (being the latest practicable date prior to the publication of this document):

<i>Geographical area</i>	<i>Percentage of total portfolio</i>
New Zealand	20.8%
Gold	19.8%
Asia & Far East	16.2%
UK & Channel Islands	13.8%
North America & Bermuda	9.6%
Latin America	8.2%
Australia	6.6%
Europe (excluding UK)	4.6%
Emerging Markets	0.4%

*Source: Company*

- 1.3 The following table shows the sectoral distribution of the Company's portfolio on a look through basis as at 30 November 2010 (being the latest practicable date prior to the publication of this document):

<i>Sector</i>	<i>Percentage of total portfolio</i>
Gold	19.8%
Renewable Energy	19.2%
Electricity	12.3%
Airports	8.4%
Infrastructure IT	6.9%
Toll Roads	6.7%
Water & Waste	6.3%
Ports	6.1%
Telecoms	5.7%
Other	2.7%
Banking & Finance	2.2%
Gas	1.3%
Other Infrastructure	1.1%
Investment Funds	0.6%
Satellites	0.6%
Post Office	0.1%

*Source: Company*

- 1.4 Approximately 71.8 per cent. of Utilico's portfolio is represented by just three investments, Infratil Limited, Utilico Emerging Markets Limited and Resolute. However, two of these investments are themselves collective investment undertakings. Infratil Limited offers targeted exposure to the energy, airport and public transport sectors, predominantly in New Zealand and Australia. Utilico Emerging Markets Limited offers a more diverse exposure to emerging market utilities and transportation infrastructure investments.

### 1.5 **Resolute**

Resolute is incorporated in Western Australia and has its registered office at 4th Floor, The BGC Centre, 28 The Esplanade, Perth, Western Australia 6000. Resolute is a developer and operator of gold projects, with operations in Africa, principally in Mali and Tanzania, and in Australia. Its ordinary shares, convertible notes and listed options are quoted on the official list of the Australian Stock Exchange. Utilico and Eclectic both have significant holdings in Resolute and the Board, as advised by the Manager, believes that this investment offers a counter cyclical diversification and exposure to the gold sector and remains undervalued with potential for significant upside.

In the year to 30 June 2010, Resolute's operations yielded in excess of 350,000 ounces of gold at a cash cost of A\$741 per ounce. The re-development of the Syama project in Mali has been completed and is now operational and in Tanzania drilling at Kasav has identified a large low grade resource within 7km of the Golden Pride mine. Resolute's financial results reported revenues from gold of A\$342.5m up 14.3 per cent. on the previous year, and a profit before treasury tax and finance costs of A\$36.0 million. As at 30 June 2010, Resolute had consolidated net assets of A\$283.0 million. On 20 September 2010 Resolute raised A\$40.0m by way of the issue of new equity, the proceeds of which were to be used primarily to close out the Group's gold derivative contracts, effectively unhedging the Group and fully exposing it to gold price movements and the balance for working capital and general corporate purposes. Resolute announced on 18 October 2010 that it had closed out all its gold hedge positions at a total net cost of A\$80 million.

## 2 **The Combined Portfolio**

- 2.1 The information in this section constitutes an analysis of the aggregate portfolio of the Company on the basis that the Scheme and the GPLPF Subscription are completed (the **Combined Portfolio**). This information is unaudited. The assumptions used in compiling this data are as follows:

- 2.1.1 that the Eclectic FAV per Share is 107.66p, being the Eclectic FAV per Share as at the close of business on 30 November 2010, assuming costs (including the liquidators' retention) of £325,000; and
- 2.1.2 that the Utilico FAV per Share is 204.31p, being the Utilico FAV per Share as at the close of business on 30 November 2010, assuming costs of £625,000;
- 2.2 The following table provides unaudited summary details of the ten largest investments in the Combined Portfolio on a look through basis as at 30 November 2010.

<i>Company</i>	<i>Market value (£'000)</i>	<i>Percentage of Gross Assets</i>
Resolute Mining	90,393	22.5%
Trust Power Ltd	48,719	12.1%
Jersey Electricity Ltd	17,987	4.5%
Infratil Energy Australia	14,829	3.7%
Bermuda Commercial Bank	14,810	3.7%
Wellington Airport	11,436	2.9%
Vix Technology Pty	10,864	2.7%
Ocean Wilsons Holdings	9,863	2.5%
Keytech Ltd	9,639	2.4%
Renewable Energy Generation	9,559	2.4%
	<u>238,100</u>	<u>59.4%</u>

*Source: Company*

- 2.3 The following table shows the geographical weighting of the Combined Portfolio on a look through basis as at 30 November 2010.

<i>Geographical area</i>	<i>Percentage of total portfolio</i>
Gold	22.3%
New Zealand	19.9%
Asia & Far East	14.8%
UK & Channel Islands	12.4%
North America & Bermuda	10.7%
Australia	10.0%
Latin America	7.5%
Europe (excluding UK)	1.8%
Emerging Markets	0.5%

*Source: Company*

2.4 The following table shows the sectoral distribution of the Combined Portfolio on a look through basis as at 30 November 2010.

<i>Sector</i>	<i>Percentage of total portfolio</i>
Gold	22.3%
Renewable Energy	17.8%
Electricity	11.6%
Airports	7.9%
Infrastructure IT	7.2%
Toll Roads	6.2%
Water & Waste	5.8%
Ports	5.6%
Telecoms	5.1%
Banking & Finance	3.9%
Other	2.5%
Investment Funds	1.8%
Gas	1.1%
Satellites	0.6%
Other Infrastructure	0.5%
Post Office	0.1%

*Source: Company*

## PART 5

### DIRECTORS, MANAGEMENT AND ADMINISTRATION

#### Directors

The Directors of the Company, all of whom are non-executive for the purposes of the UK Corporate Governance Code, have overall responsibility for the Group's activities and the determination of the Company's investment policy. With the exception of Warren McLeland, who is also a director of Eclectic, which is managed by Ingot, an associate of ICM, all of the Directors are independent of the Manager.

The Directors are as follows:

#### *Michael Collier (Chairman)*

Mr Collier is aged 64 and was appointed to the Board on 3 May 2007. He was educated in Bermuda, the UK and North America. He joined the Bank of Butterfield in Bermuda in 1963 and retired in 1996 as president and chief executive officer. He is currently chairman of Ascendant Group Limited (formerly Belco Holdings Limited), chairman and managing director of Bermuda Commercial Bank Limited, chairman of Permanent Investments Limited and serves as a director of a number of US and Bermuda incorporated companies.

#### *Susan Hansen*

Ms Hansen is aged 49 and was appointed to the Board on 3 May 2007. She is a chartered accountant and MBA graduate and has worked in financial services since 1980. She has previous experience in chartered accountancy and investment banking, and is the principal of a financial training organisation in New Zealand. She is a member of the Institute of Chartered Accountants in Australia.

#### *Warren McLeland*

Mr McLeland is aged 64 and was appointed to the Board on 3 May 2007. He is a science and MBA graduate and was formerly a stockbroker and investment banker. He is now Chief Executive Officer of RESIMAC Limited, a securitisation company. In addition, he acts as an adviser in fund management and business strategy to companies operating in the Asia Pacific region. He is a non-executive director of The Trust Company Limited, Eclectic, Bermuda Commercial Bank Limited, Wilsons HTM Investment Group Limited and Permanent Investments Limited.

#### *Eric Stobart*

Mr Stobart is aged 62 and was appointed to the Board on 3 May 2007. He chairs the Audit Committee. He is a chartered accountant and MBA graduate and has worked in financial services for over 40 years. He was previously Director of Public Policy and Regulation for Lloyds TSB Group plc (now Lloyds Banking Group plc). He is a non-executive director of Norwich & Peterborough Building Society, Capita Managing Agency Limited, Bermuda Commercial Bank Limited, The Throgmorton Trust plc, Falcon Property Trust, and Permanent Investments Limited. He is also a trustee of the Lloyds TSB Group Pension Schemes, chairing its Investment and Funding Committee and a trustee of the Lloyd's Superannuation Fund.

#### *Dr. Roger Urwin*

Dr Urwin is aged 64 and was appointed to the Board on 3 May 2007. He has many years of experience in the international utility sector, playing a major role in the restructuring and privatisation of the UK electricity industry. He was previously chief executive of National Grid plc, a non-executive director of Utilico's predecessor company, Utilico Investment Trust plc, and a former chairman of Alfred McAlpine plc. He is a director of Canadian Utilities Limited and Canadian Utilities Inc.

#### The Manager

The Company's Manager is ICM, which has been appointed under the Management Agreement to undertake the discretionary management of the Company's portfolio and to provide various other management services to the Company, subject to the overriding supervision of the Directors.

ICM is an associate of the Company's previous manager, Ingot Capital Management Pty Ltd and replaced Ingot with effect from July 2010. Ingot had acted as the manager of Utilico since its establishment in May 2007 as the successor vehicle to UIT and had previously been the investment adviser to UIT and its predecessors.

Further details of the Management Agreement are summarised in paragraph 7.2 of Part 8 of this document.

### ***Investment philosophy***

ICM's investment philosophy is to focus on investments where it believes the underlying value is not reflected in the market price. This philosophy has the following features:

- searching for under-valued companies that are often under-rated and under-researched;
- analysis of opportunities arising through technological development, market changes, competition or shareholder issues;
- using knowledge of and expertise in financial engineering and different financial instruments;
- developing techniques to compare companies across geographical regions and across industries;
- maintaining a strong understanding of the infrastructure and utility sectors and their regulation; and
- possessing a sensitivity to step changes resulting from developments in regulation and competition.

ICM may also use hedging instruments, where appropriate, to protect Utilico's portfolio from market volatility.

### ***Investment process***

The Manager follows a systematic investment process. It sources and analyses investment opportunities before making investments where it believes they offer good value. The Manager has an established network of industry contacts and investment opportunities are sourced through a combination of sector knowledge and monitoring and a review of markets. The Manager has a good long term record in stock selection across markets (including in the infrastructure and utilities sector) and of financial and investment structuring.

### ***Investment Performance***

The net asset value performance of Utilico and, for comparison purposes, the FTSE Utilities Index and the FTSE All-Share Index, to 30 November 2010 is set out in the table below:

	<i>6 months (%)</i>	<i>1 year (%)</i>	<i>3 years (%)</i>
Utilico	17.2	14.7	(37.3)
FTSE Utilities Index	14.9	11.8	(12.8)
FTSE All-Share Index	7.0	8.0	(12.8)

*Source: Utilico and Datastream*

Note: The performance of Utilico includes the cash distribution of 12 pence per Utilico Share in April 2010 added back.

The past performance of Utilico is not a guide to future performance. The value and income of the Utilico Shares can fall as well as rise and an investor may get back less than the amount invested.

### **Co-investment**

Opportunities may arise for Utilico to co-invest alongside companies associated with, or managed by, ICM (or its associates). Utilico (and other clients of ICM) will be given the opportunity to invest in opportunities falling within its (or their) investment policy, *pro rata* to their assets available for investment in priority to ICM (and its associates). Utilico will, subject to the approval of the Directors, be free to co-invest when it is felt to be in the interests of Shareholders and would intend to do so. The ability to co-invest may be beneficial as it may enable Utilico to benefit from more advantageous terms than would be available for a smaller investment made by Utilico alone. The terms on which Utilico co-invests will be no less favourable than the terms on which any company associated with, or managed by, ICM (or its associates) invests.

## **Relationship with Utilico Emerging Markets Limited**

Whilst Utilico and Utilico Emerging Markets Limited are two separate entities, each with their own board of directors and shareholders, they currently have overlapping investment policies and similar portfolio methodologies. Additionally, Utilico and Utilico Emerging Markets Limited each employ the same individuals to conduct their investment research. The services provided by these employees relate to analysis of potential investments, the provision of information to the Manager and the placing and execution of trades once authorised by the Manager.

### ***Investment allocation***

As ICM and its associates provide investment advice to both Utilico and Utilico Emerging Markets Limited (among other clients) an investment allocation policy has been put in place between Utilico and Utilico Emerging Markets Limited, which is intended to provide transparency for shareholders in each company. The investment allocation policy is as follows:

- all investments in the infrastructure and utility sectors and related companies in Emerging Markets will first be offered in full to Utilico Emerging Markets Limited;
- if Utilico Emerging Markets Limited is technically able to make the investment, but its manager believes it is inappropriate for it to do so, either in part or in full, (for example, this may be due to sector or geographical weighting issues or lack of funds) then the matter will be referred to the Chairman of Utilico Emerging Markets Limited;
- if the Chairman agrees with the manager's decision, then Utilico will be free to make the investment (to the extent that the opportunity remains) if it wishes to do so;
- if Utilico Emerging Markets Limited is incapable of making any part of the investment, then Utilico will be free to take up the balance of the investment if it wishes to do so; and
- in circumstances where both Utilico Emerging Markets Limited and Utilico invest in the same securities at the same time, they will invest on substantially the same terms.

Utilico Emerging Markets Limited's investment objective is to invest predominantly in Emerging Markets. However, it has the flexibility to make investments in infrastructure, utilities and related companies outside Emerging Markets, including making investments in developed markets. Where ICM identifies an investment in infrastructure, utilities and related companies in a developed market which it believes would be suitable for Utilico Emerging Markets Limited's portfolio and is in accordance with its investment policy, a similar allocation policy to that set out above will be adopted, but with Utilico being offered the relevant investment opportunity in the first instance. In the event that Utilico is unable or does not wish to take up the relevant investment opportunity in full, then Utilico Emerging Markets Limited will be free to make that investment (to the extent that the opportunity remains).

### **Potential conflicts of interest**

The Manager may be involved in other financial, investment or professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and expects to continue to, provide investment management, investment advice or other services in relation to other companies, funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive ad valorem and/or performance-related fees for doing so.

As a result, the Manager may have conflicts of interest in allocating investments among the Company and its other clients and in effecting transactions between the Company and its other clients. The Manager may give advice or take action with respect to its other clients that differs from the advice given or actions taken with respect to the Company.

### **Management and performance fees**

#### ***Management fee***

The Manager receives a management fee equal to 0.5 per cent. per annum of the Gross Assets, payable by Utilico semi-annually in arrears pursuant to the Management Agreement. The Manager is also reimbursed its reasonable out of pocket expenses.

### ***Performance fee***

Utilico will pay to the Manager a performance fee determined as at each Calculation Date (as defined below) as follows:

$$PF = (A-B) \times 15 \text{ per cent.}$$

where:

PF is the performance fee (excluding VAT), if any, payable to ICM;

A is the Adjusted Equity Funds as at that Calculation Date;

B is the “Base Equity Funds” being the higher of:

- (i) the Equity Funds of Utilico Investment Trust plc on the last day of the calculation period in respect of which a performance fee was last paid by Utilico Investment Trust plc under the Investment Advisory Agreement less any professional fees and expenses incurred by Utilico Investment Trust plc and the Company in connection with Utilico Investment Trust plc’s scheme of reconstruction (but not any costs and expenses incurred in connection with the placing and offer for subscription of the ZDP Shares in 2007) (**Opening Equity Funds**);
- (ii) the Equity Funds on the last day of a Calculation Period in respect of which a performance fee was last paid under the Management Agreement (**High Water Mark**); and
- (iii) the Equity Funds on the last day of the previous Calculation Period, increased by the Real Percentage Yield on the Reference Index during that Calculation Period (**Previous Equity Funds**).

B (i) above, Opening Equity Funds, will be adjusted as appropriate for any Capital Events.

B (ii) above, High Water Mark, will be adjusted as appropriate for any Capital Events occurring since the establishment of the High Water Mark.

B (iii) above, Previous Equity Funds, will be adjusted as appropriate for any Capital Events occurring since the previous Calculation Date. The value of those Capital Events will be added to (in respect of a capital increase) or deducted from (in respect of a capital reduction) the Previous Equity Funds, such adjustments being increased by the Real Percentage Yield on the Reference Index for the period between the date of the relevant Capital Event and the end of the Calculation Period.

The first Calculation Period for the performance fee will be the period from 1 July 2010 to 30 June 2011.

The performance fee will be payable within 14 days of the publication of the Company’s annual report and accounts for the relevant Calculation Period, or within 30 days of the termination of ICM’s appointment or the commencement of the winding up of the Company where (ii) or (iii) in the definition of Calculation Period applies.

The performance fee will be payable within 14 days of the publication of Utilico’s annual report and accounts.

For the purpose of this calculation:

**Adjusted Equity Funds** means Equity Funds adjusted by adding back any dividends paid or accrued relating to that Calculation Period, plus any accrual for unpaid performance fee arising for that Calculation Period;

**Calculation Date** means the last day of each Calculation Period;

**Calculation Period** means each successive period starting on the first day of an accounting reference period of the Company and ending on the earlier of (i) the last day of that accounting reference period (ii) the termination of ICM’s appointment for any reason and (iii) the commencement of the winding up of the Company, provided that in respect of the first Calculation Period under this Agreement such period shall be deemed to have commenced on 1 July 2010;

**Capital Event** means any repayment or otherwise that reduces funds attributable to Shareholders, or any issuance of equity or otherwise which has the effect of increasing funds attributable to Shareholders (including by means of further issues of ZDP Shares, the proceeds of which shall be advanced by Utilico Finance to the Company);

**Company's Shares** means ordinary shares of 10p each in the capital of Utilico;

**Equity Funds** means the Net Asset Value (including revenue items) attributable to the Utilico Shares;

**Inflation** means the rate of UK inflation in annual percentage terms calculated by reference to the year on year change in the UK all items Retail Prices Index excluding mortgage interest payments as issued by the Office of National Statistics calculated as a monthly average;

**Investment Advisory Agreement** means the investment advisory agreement dated 16 June 2003 (as amended on 5 May 2004 and 25 August 2005) made between Utilico Investment Trust plc and Ingot Capital Management Pty Ltd;

**Real Percentage Yield** means the average percentage income yield on the Reference Index for the relevant Calculation Period, calculated on a monthly basis, reduced by the percentage rate of UK corporation tax, plus Inflation; and

**Reference Index** means the FTSE Actuaries Govt. Securities UK Gilts 5 to 10 Years Index.

A summary of the main provisions of the Management Agreement is set out in paragraph 7.2 of Part 8 of this document.

#### **Administration and secretarial services**

F&C Management Limited has been appointed as administrator and secretary to Utilico and Utilico Finance. The Administrator's appointment is terminable, *inter alia*, upon six months' notice in writing by either party.

Under the terms of the Administration Agreement, the Administrator and Secretary is entitled to a fee of £295,000 per annum. A summary of the main provisions of the Administration Agreement is set out in paragraph 7.3 of Part 8 of this document.

#### **Custody**

JPMorgan Chase Bank N.A. (**JPMorgan**) acts as custodian to the Group's assets and, in that capacity, is responsible for ensuring safe custody and dealing with settlement arrangements. JPMorgan's appointment as custodian is terminable, *inter alia*, upon 60 days' notice given by either party.

JPMorgan acts through its UK branch, which was registered in England and Wales on 28 June 1993 with registered branch number BR000746. The principal place of business of JPMorgan is 125 London Wall, London EC2Y 5AJ and a representative of JPMorgan can be contacted on telephone number +44 (0) 20 7777 2000. JPMorgan's business in the UK is authorised and regulated by the FSA.

JPMorgan shall receive from Utilico for the provision of such services such fees as may be agreed in writing between JPMorgan and Utilico, together with JPMorgan's reasonable out-of-pocket or incidental expenses.

A summary of the main provisions of the Custody Agreement is set out in paragraph 7.4 of Part 8 of this document.

The Company has also appointed Bermuda Commercial Bank to act as its custodian in respect of such cash and investments as Utilico shall from time to time deposit with it.

A summary of the main provisions of the BCB Custody Agreement is set out in paragraph 7.13 of Part 8 of this document.

## **Registration services**

Computershare Investor Services (Jersey) Limited (**Computershare**) has been appointed as branch registrar to maintain in Jersey a branch copy of the register of Shareholders and Warrantholders. Each of Utilico and Utilico Finance has entered into a Registrar Agreement with Computershare which may be terminated, *inter alia*, on 6 months' notice by either party. In return for providing such services Computershare is entitled to an annual fee plus reimbursement of certain expenses incurred by Computershare in connection with its duties from each of Utilico and Utilico Finance.

## **Depository and Custody services**

Computershare Investor Services PLC has been appointed as Depository for the settlement of Depository Interests. Each of Utilico and Utilico Finance has entered into a Depository and Custody Services Agreement with Computershare Investor Services PLC, which may be terminated, *inter alia*, on 6 months' notice by either party.

## **Financial reporting and information**

### ***Net Asset Value***

The Net Asset Value and the Net Asset Value per Utilico Share are calculated (and rounded to two decimal places), in pounds sterling by the Administrator (or such other person as the Directors may appoint for such purpose from time to time) on a weekly basis. The Net Asset Value per Utilico Share is announced through the London Stock Exchange without delay once calculated.

The Net Asset Value is calculated as the Gross Assets less the liabilities to creditors (including the provisions for such liabilities) of Utilico determined in accordance with the valuation guidelines adopted by the Directors from time to time.

In calculating the Net Asset Value, a liability will be included equating to the amount due to ZDP Shareholders at the calculation date each week. The amount due to ZDP Shareholders is accounted for at amortised cost, using the effective interest rate method. Announcements as to the Net Asset Value per Utilico Share will include the accrued capital entitlements of the ZDP Shares.

Under current valuation guidelines adopted by the Directors, such values will be determined as follows:

- the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the Directors will have determined that the same is unlikely to be paid or received in full, in which case the value thereof will be arrived at after making such discount as the Directors may consider appropriate in such case to reflect the true value thereof;
- securities which are quoted or dealt in on any stock exchange (including any securities traded on an "over the counter market") will be valued in accordance with generally accepted UK accounting practices;
- unquoted securities will be valued at their fair value in accordance with the guidelines issued by the British Venture Capital Association or any successor body;
- all other assets (including prepayments) and liabilities to creditors (excluding amounts due to ZDP Shareholders) will be valued at their respective fair values as determined in good faith by the Directors and in accordance with generally accepted valuation principles and procedures; and
- any value other than in pounds sterling will be translated at any officially set exchange rate or appropriate spot market rate as the Directors deem appropriate in the circumstances having regard, *inter alia*, to any premium or discount which may be relevant and to costs of exchange.

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

The preparation of valuations may be suspended in circumstances where the underlying data necessary to value the Company's investments cannot readily, or without undue expenditure, be obtained. Such suspension will be communicated to investors via a Regulatory Information Service.

### ***Accounting policies***

The audited accounts of the Group are prepared in sterling under International Financial Reporting Standards, which the Directors believe is an acceptable body of generally accepted accounting practice. Under International Financial Reporting Standards, the Group prepares an income statement and a statement of changes in equity, which discloses revenue and capital results, including net investment gains.

Management fees, borrowing costs and running expenses of the Group are charged to revenue with the exception of the performance fee which will be allocated between capital and revenue and other expenses of a capital nature which will be charged to the capital account. That part of the performance fee directly attributable to the capital performance of the Company's investments will be allocated to capital, and that part directly attributable to revenue performance will be allocated to revenue.

### ***Reports and accounts***

The annual accounts of the Group are made up to 30 June in each year, with copies of the annual report and accounts ordinarily sent to Shareholders and Warranholders in September. Annual general meetings of Utilico and Utilico Finance are typically held in November or December of each year. Shareholders and Warranholders also receive an unaudited consolidated interim report covering the first six months of each financial year to 31 December. The interim report is ordinarily released to Shareholders and Warranholders in February of each year.

### ***Meetings***

It is intended that all general meetings of Utilico and Utilico Finance will be held outside the United Kingdom. Utilico and Utilico Finance each hold an annual general meeting every year. Utilico Shareholders are entitled to attend and vote at all Utilico general meetings. ZDP Shares do not carry any voting rights at general meetings of Utilico, although in certain circumstances the consent of ZDP Shareholders is required for certain proposals. Any such consent will be obtained through class meetings of ZDP Shareholders. Both the proposed change in the Company's investment policy and the Share Premium Cancellation require the approval of the ZDP Shareholders and the Class Meetings have been convened for this purpose.

### ***Corporate governance***

Whilst Bermuda does not have its own corporate governance code, as the Company has a premium listing on the Official List, it is, however, required to comply with the UK Corporate Governance Code issued by the Financial Reporting Council (the **Corporate Governance Code**), available at website [www.frc.org.uk](http://www.frc.org.uk), in respect of its accounting periods from 1 July 2010 onwards. It is the Company's policy to comply with best practice on good corporate governance and maintain the same level of governance as UK listed investment companies. The Board has considered the principles set out in the Corporate Governance Code and the AIC Code of Corporate Governance (the **AIC Code**).

Except as disclosed below, the Company complied throughout its last financial year ended 30 June 2010 with the recommendations of the AIC Code and the relevant provisions of the Combined Code, the predecessor of the Corporate Governance Code.

All of the Directors were appointed on 3 May 2007. In view of the requirement of the Bye-Laws that all Directors retire by rotation, the Board considers that it is not appropriate for the Directors to be appointed for a specified term, as recommended by provision A.7.2 of the UK Combined Code and principle 3 of the AIC Code, nor for a Senior Independent Director to be appointed, as recommended by provision A3.3 of the Combined Code and principle 1 of the AIC Code. The detailed Directors' remuneration disclosure requirements set out in Combined Code Provisions B.1 to B.1.6, and B.2.1 to B.2.4 are not relevant.

Mr J M Collier is Chairman of the Board. All of the Directors, apart from Mr W McLeland, are considered to be independent from the Manager. Mr W McLeland sits on the boards of more than one company managed by the Manager and he may therefore not be regarded as an independent Director and will be subject to annual re-election by shareholders.

The Board, with only five Directors, operates without a Nomination Committee. The Directors recognise the value of progressive refreshing of, and succession planning for, company boards. The Directors regularly review the structure of the Board, including the balance of expertise and skills brought by individual Directors. The Board is of the view that length of service does not necessarily compromise the independence or contribution of Directors of an investment company, where continuity and experience can add significantly to the strength of the Board. This is supported by the views on independence expressed in the AIC Code. However, the Board has put a policy into place where Directors who have served for nine years or more will be subject to annual re-election.

Whilst none of the Directors has a service contract with the Company (and nor are any such contracts proposed), each of the Directors has signed a letter of appointment to formalise in writing the terms of their appointment. Under the Bye-laws of both Utilico and Utilico Finance, one third of their respective Boards is subject to retirement by rotation each year. In addition, all Directors are required to submit themselves for re-election at least every three years. Directors who have served for nine years or more will be subject to annual re-election as will Directors over the age of 70.

The Board has constituted the following committees:

#### ***Audit Committee***

The Board has appointed an Audit Committee. The Audit Committee, which is chaired by Mr E Stobart, operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Company's website at [www.utilico.bm](http://www.utilico.bm). The Audit Committee is comprised of the independent Directors of the Company and will meet at least twice a year. It is considered that there is a range of recent and relevant financial experience amongst the members of the Audit Committee.

The primary role of the Audit Committee is to review the Group's accounting policies, the contents of the accounts, the adequacy and scope of the external audit and compliance with regulatory and financial reporting requirements. In addition, it also reviews the provision of non-audit services by the external auditors, the risks to which the Company is exposed and the controls in place to mitigate those risks.

A "whistle blowing" policy has been put into place for employees of the Company under which they may, in confidence, raise concerns about any possible improprieties in matters of financial reporting or other matters insofar as they may affect the Group. This policy will be reviewed from time to time by the Audit Committee. The Audit Committee will also review the "whistle blowing" policy that has been put into place by F&C Management Limited as administrator of the Company for use by its staff.

The Audit Committee has access to the internal audit director of the Administrator and to the Administrator's group audit committee, and reports its findings to the Board.

The Board retains ultimate responsibility for all aspects relating to the annual and interim accounts and other significant published financial information.

#### ***Management Engagement Committee***

The Board has appointed a Management Engagement Committee, chaired by Mr E Stobart, which operates within written terms of reference clearly setting out its authority and duties. Copies of the terms of reference are available on the Company's website.

The Management Engagement Committee is comprised of the independent Directors of the Company and will meet at least once a year. The Management Engagement Committee will annually review the performance of, and fee paid to, the Manager for the services provided under the Management Agreement, together with the fee and other terms of that agreement.

## PART 6

### FINANCIAL INFORMATION RELATING TO THE GROUP

#### 1 Statutory accounts for the three financial periods ended 30 June 2008, 2009 and 2010

Statutory accounts of the Group for the three financial years ended 30 June 2008, 2009 and 2010, in respect of which the Company's auditors, Grant Thornton UK LLP, have given unqualified opinions that the accounts give a true and fair view of the state of affairs of Utilico and the Group for the financial period ended 30 June 2008 and both of the financial years ended 30 June 2009 and 2010 and that the accounts have been properly prepared in accordance with the Bermuda Companies Act 1981 and that the part of the Directors' Remuneration Report that is stated as having been audited shows the fees paid by the Company to its Directors, have been incorporated into this document by reference.

Grant Thornton UK LLP is a member of the Institute of Chartered Accountants in England and Wales.

#### 2 Published annual reports and accounts for the three financial periods ended 30 June 2008, 2009 and 2010

##### 2.1 Historical financial information

The published annual reports and audited accounts for the Group for the financial period ended 30 June 2008 and both of the financial years ended 30 June 2009 and 2010, which have been incorporated in this document by reference, included, on the pages specified in the table below, the following information:

<i>Nature of information</i>	<i>Annual report and accounts for the period ended 30 June (audited)</i>		
	<i>2008 Page No.s</i>	<i>2009 Page No.s</i>	<i>2010 Page No.s</i>
Income statement	35	34	35
Statement of changes in equity	36	36	37
Balance sheet	37	38	39
Cash flow statement	38	39	40
Accounting policies	39-41	40-42	41-43
Notes to the accounts	41-58	43-70	44-66
Independent auditors' report	34	33	34
Chairman's statement	5-6	5	5
Manager's report	8-13	7-12	7-12
Directors' report	22-27	21-26	21-27

##### 2.2 Selected financial information

The key audited figures that summarise the Group's financial condition in respect of the financial period ended 30 June 2008 and both of the financial years ended 30 June 2009 and 2010, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Part 6, are set out in the following table:

	<i>As at or for the period ended 30 June (audited)</i>		
	<i>2008</i>	<i>2009</i>	<i>2010</i>
Net assets (£'000)	205,201	126,858	143,720
Net asset value per share (pence)	225.20p	146.87	166.39
<b>Total</b>			
Total income (£'000)	(64,022)	(54,956)	43,191
Net profit (£'000)	(81,305)	(69,543)	27,312
Earnings per share (pence)	(99.76)	(79.85)	31.62
Dividend per share (pence)	—	—	—
<b>Revenue</b>			
Total revenue income (£'000)	10,468	8,526	13,781
Net profit/(loss) (£'000)	2,904	2,416	9,062
Earnings per share-basic-(pence)	3.56	2.77	10.49
Earnings per share-diluted-(pence)	3.24	2.77	10.49

### 2.3 *Operating and financial review*

The Group's published annual reports and accounts for the three financial periods ended 30 June 2008, 2009 and 2010 included, on the pages specified in the table below: descriptions of the Group's financial condition (in both capital and revenue terms); details of the Group's investment activity and portfolio exposure; and changes in its financial condition for each of those years.

<i>Nature of information</i>	<i>Annual report and accounts for the period ended 30 June (audited)</i>		
	<i>2008 Page No.s</i>	<i>2009 Page No.s</i>	<i>2010 Page No.s</i>
Chairman's statement	5-6	5	5
Investment Manager's Report	8-13	7-12	7-12
Portfolio analyses	14-17	13-16	13-16
Performance, discount and financial record	2	2	2

The causes of material changes in the capital value of the Group's assets in these three financial years can be summarised as follows (all amounts in 000s):

- (i) in the year to 30 June 2008, the Group made a net capital loss of £84,209. £88,057 of this related to losses on investments, with an unrealised loss of £88,735 and a realised gain of £678. The balance consisted of gains on derivatives of £19,140, finance and other costs of £9,830, exchange losses of £5,573 and other income of £111; and
- (ii) in the year to 30 June 2009, the Group made a net capital loss of £71,959. £60,202 of this related to losses on investments, with an unrealised loss of £47,277 and a realised loss of £12,925. The balance consisted of gains on derivatives of £2,689, finance including reduction of ZDP share liability and other costs of £8,477, exchange losses of £8,141 and other income of £2,172; and
- (iii) in the year to 30 June 2010, the Group made a net capital gain of £18,250. £36,852 of this related to gains on investments, with an unrealised gain of £33,261 and a realised gain of £3,591. The balance consisted of losses on derivatives of £8,510, finance including increase of ZDP share liability and other costs of £11,160 and exchange gains of £1,068.

The issue of the New Utilico Shares will impact on the Group's assets, earnings and liabilities as follows. The total assets of the Group will increase by the value of the assets transferred to the Group pursuant to the Transfer Agreement and also by the value of the Resolute Assets transferred to the Group pursuant to the GPLPF Subscription Agreement. It is not expected that there will be any material impact on the earnings and liabilities per Utilico Share as a result of the issue of the New Utilico Shares.

### 2.4 *Availability of annual reports and accounts for inspection*

Copies of the Group's annual reports and audited accounts for the three financial periods ended 30 June 2008, 2009 and 2010 are available for inspection at the address set out in paragraph 13 of Part 8 of this document.

### 3 Capitalisation and indebtedness

3.1 The following table, sourced from the Group's internal accounting records, shows the Group's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 30 November 2010 (being the latest practicable date prior to the publication of this document) and the Group's unaudited capitalisation as at 30 June 2010 (being the last date in respect of which the Group has published financial information).

	<i>30 November 2010</i> <i>(unaudited)</i> £'000
<i>Total Current Debt</i>	
Guaranteed/secured	29,809
Unguaranteed/unsecured	373
<i>Total Non-Current Debt</i>	
Guaranteed/secured	—
Unguaranteed/unsecured	166,471
	<i>30 June 2010</i> <i>(audited)</i> £'000
<i>Shareholder equity</i>	
Share capital	8,637
Share premium account	223,501
Other reserves	45,483
Capital reserve	(138,218)
Revenue reserve	4,317
	<hr/> <u>143,720</u>

The following table shows the Group's unaudited net indebtedness as at 30 November 2010 (being the latest practicable date prior to the publication of this document).

	<i>30 November 2010</i> <i>(unaudited)</i> £'000
A. Cash	447
B. Cash equivalent	—
C. Trading securities	—
D. Liquidity (A+B+C)	447
E. Current financial receivable	—
F. Current bank debt	(30,182)
G. Current portion of non-current debt	—
H. Trading securities payable	—
I. Other current financial debt	—
J. Current financial debt (F+G+H+I)	(30,182)
K. Net current financial indebtedness (J-E-D)	(29,735)
L. Non-current bank loans	—
M. Bonds issued	—
N. Other non-current loans	(166,471)
O. Non-current financial indebtedness (L+M+N)	(166,471)
P. Net financial indebtedness (K+O)	(196,206)

### 4 Working capital

In the Company's opinion, the Group has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.

## PART 7

### TAXATION

#### **Bermuda Taxation**

At the date of this document, there is no Bermuda income, corporation, or profits tax, withholding tax, capital gains tax, capital transfer tax, estate duty or inheritance tax payable by the Group or any of its Shareholders in respect of their holding of Ordinary Shares, other than Shareholders ordinarily resident in Bermuda. The Group is not subject to stamp duty on the issue, transfer or redemption of any of its shares.

Utilico has received an undertaking from the Minister of Finance of Bermuda under the Exempted Undertakings Tax Protection Act, 1966, as amended, that, in the event that there is enacted in Bermuda any legislation imposing (i) tax computed on profits or income, (ii) tax computed on any capital assets, gain or appreciation or (iii) any tax in the nature of estate duty or inheritance tax, such tax shall not until March 28, 2016 be applicable to the Company or to any of its operations, shares, debentures or other obligations except insofar as such tax applies to persons ordinarily resident in Bermuda and holding such shares, debentures or other obligations of the Company or any land leased to the Company.

As an exempted company, Utilico is liable to pay the Bermuda Government an annual government fee which is currently US\$18,670 (based on the Company's assessable capital which includes share premium). The annual government fee may increase following any share capital increases by Utilico and thereafter will be based on the share capital and share premium account of the Company as at August of each year.

#### **UK Taxation**

**The information set out below relates to taxation applicable to the Company and to certain Shareholders. These statements are intended to apply only as a general guide to current UK tax law and to the current published practice of HM Revenue & Customs, and is therefore subject to any subsequent changes. They are intended to apply only to Shareholders who are resident, and in the case of individuals, ordinarily resident in the UK for UK tax purposes, who hold the Ordinary Shares as investments, who are the beneficial owners of the Ordinary Shares and who do not (alone or together with connected persons) hold more than 10 per cent. of any particular class of share in the Company. The statements may not apply to certain classes of Shareholders such as dealers in securities. The information is given by way of general summary only and does not constitute legal or tax advice to any person. Any Shareholder who is in any doubt as to their tax position regarding the acquisition, ownership or disposal of the Ordinary Shares, or who is subject to tax in a jurisdiction other than the UK, should consult their own tax advisers.**

#### ***The Company***

It is the intention of the Directors to conduct the affairs of the Company so that the central management and control of the Company is not exercised in the UK and so that the Company does not carry out any trade in the UK (whether or not through a permanent establishment situated there). On this basis, the Company should not be liable for UK taxation on its income and gains other than certain income deriving from a UK source.

#### ***UK Shareholders***

##### ***UK Taxation of Dividends***

Shareholders who are resident in the UK for tax purposes may, depending on their circumstances, be liable to UK income tax or corporation tax in respect of dividends paid by Utilico.

Dividends received by an individual who is resident or ordinarily resident in the UK for taxation purposes will be liable to UK income tax on the amount of any dividends received. Basic rate taxpayers will be liable to income tax at 10 per cent., higher rate taxpayers at 32.5 per cent. and additional rate taxpayers at 42.5 per cent. A tax credit equal to 10 per cent. of the gross dividend (also equal to one ninth of the cash dividend received) should be available to offset against a Shareholder's total income

tax liability on the dividend. The effect of the tax credit is that basic rate taxpayers have no further tax to pay, higher rate taxpayers will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which also equals 25 per cent. of the cash dividend received) and additional rate taxpayers will have to account for additional tax equal to 32.5 per cent. of the gross dividend (which also equals 36.1 per cent. of the cash dividend received).

A corporate Shareholder who is resident in the UK or carries on a trade in the UK through a permanent establishment in connection with which its Ordinary Shares are held will be subject to UK corporation tax on the gross amount of any dividends paid by the Company, unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009. It is anticipated that dividends paid on the Ordinary Shares to UK resident corporate Shareholders would generally (subject to anti-avoidance rules) fall within one of those exempt classes, however, such Shareholders are advised to consult their professional tax advisers to determine whether such dividends will be subject to UK corporation tax.

#### *UK Taxation of Capital Gains*

For Shareholders who are individuals, or otherwise not within the charge to UK corporation tax, UK capital gains tax may be payable on a disposal of Ordinary Shares. For such holders whose total taxable income and gains are taxed at the basic rate, capital gains tax is payable at the flat rate of 18 per cent. For such holders whose total taxable income and gains are taxed at the higher or additional rates, capital gains tax is payable at the flat rate of 28 per cent. No indexation allowance will be available, but such Shareholders may be entitled to an annual exemption from capital gains (this is £10,100 for the year 2010/2011).

Shareholders within the charge to UK corporation tax may be subject to corporation tax on chargeable gains in respect of any gain arising on a disposal of Ordinary Shares. Indexation allowance may apply to reduce any chargeable gain but will not create or increase an allowable loss.

#### *Other taxation matters*

UK Shareholders who hold 10 per cent. or more of the Ordinary Shares in Utilico should be aware that it is anticipated that Utilico would be regarded as a close company if it were resident in the UK. Therefore, capital gains realised by the Company will be attributed to such UK resident or ordinarily resident Shareholders in accordance with section 13 of the Taxation of Chargeable Gains Act 1992.

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Shares should note the provisions of the controlled foreign companies legislation contained in sections 747 to 756 of the Income and Corporation Taxes Act 1988. The UK Government is currently examining options to reform this legislation. UK corporate Shareholders are therefore advised to consult their independent professional tax advisers as to the implications of any future changes.

The attention of individuals ordinarily resident in the UK is drawn to the provisions of Chapter 2, Part 13 of the Income Tax Act 2007 which may render such individuals liable to tax on the income of the Company (taken before any deduction for interest) in certain circumstances.

The attention of UK residents and domiciled investors is drawn to Part 15 of the Corporation Tax Act 2010 and section 684 of the Income Tax Act 2007 under which HM Revenue & Customs may seek to cancel tax advantages from certain transactions in securities.

#### *Non-UK Shareholders*

Shareholders who are not resident or ordinarily resident (or temporarily non resident) in the UK and do not carry on a trade, profession or vocation through a branch, agency or other form of permanent establishment in the UK with which the Ordinary Shares are connected will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of their Ordinary Shares. However, non-UK Shareholders will need to take specific professional advice about their individual tax position.

### ***ISAs***

Ordinary Shares are eligible to be held in the stocks and shares component of an ISA subject to applicable subscription limits, and provided that the ISA manager has been issued the Ordinary Shares under the Scheme or acquired them through the secondary market following Admission.

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

Transfers of Ordinary Shares will not be liable to UK stamp duty unless the instrument of transfer is executed within the UK when the transfer will be liable to UK and valorem stamp duty at the rate of 0.5 per cent. of the consideration paid rounded up to the nearest Stg£5. Provided that Ordinary Shares are not registered in any register of Utilico kept in the UK, any agreement to transfer the Ordinary Shares should not be subject to SDRT.

Where Depositary Interests in respect of the Ordinary Shares are traded within CREST, there should be no charge to SDRT due to the provisions of the Stamp Duty Reserve Tax (UK Depositary Interests in Foreign Securities) Regulations 1999, provided that Ordinary Shares are not registered in any register of Utilico kept in the UK.

## PART 8

### GENERAL INFORMATION

#### 1 Responsibility

The Directors and Utilico accept responsibility for the information contained in this document, and declare that, having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

#### 2 Listing

- 2.1 Application will be made to the UK Listing Authority and London Stock Exchange for the New Utilico Shares to be issued in connection with the Scheme and the GPLPF Subscription to be admitted to a premium listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that dealings in such New Utilico Shares will commence, on 18 January 2011.
- 2.2 Save in respect of the Scheme, none of the New Utilico Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the New Utilico Shares to be admitted to the Official List.
- 2.3 A copy of this document, which comprises a prospectus relating to Utilico prepared in accordance with the Listing Rules and the Prospectus Rules has been filed with the FSA in accordance with Rule 3.2 of the Prospectus Rules.

#### 3 History and status

- 3.1 Utilico was incorporated and registered in Bermuda on 17 January 2007 as an exempted, closed-end investment company with limited liability under the Bermuda Companies Act with registered number 39480. Utilico has an unlimited life.
- 3.2 Utilico operates under the Bermuda Companies Act, but is otherwise not regulated.
- 3.3 Utilico's registered office is in Bermuda and is located at Canon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda. Utilico's telephone number is 00 1441 295 2244.

#### 4 Share Capital

##### 4.1 *Movements in share capital*

- 4.1.1 At the date of its incorporation, Utilico had an authorised share capital of £1 comprising one share of £1 that was issued nil paid to Utilico Investment Trust. On 9 May 2007, by written resolution, Utilico sub-divided the existing issued share capital into ten ordinary shares of 10p each. These ten ordinary shares were gifted to Utilico and cancelled by Utilico in 2007.
- 4.1.2 On 9 May 2007, by written resolution, Utilico increased its authorised share capital from £1 to £12,747,950 by the creation of 127,479,490 Utilico Shares of 10p each.
- 4.1.3 On 20 June 2007, 79,656,782 Utilico Shares were issued on the Company's admission to the Official List. Since that date, the following movements in share capital have taken place:
  - (a) on 6 November 2007, 168,606 Utilico Shares were issued on the exercise of warrants;
  - (b) on 7 May 2008, 12,169,153 Utilico Shares were issued on the expiry of a series of warrants and a further 3,782 Utilico Shares were issued on the exercise of Warrants;
  - (c) on 8 May 2008, 880,000 Utilico Shares were bought back and subsequently cancelled;

- (d) on 20 August 2008, 2,500,000 Utilico Shares were bought back and subsequently cancelled;
- (e) on 29 August 2008, 2,245,660 Utilico Shares were bought back and subsequently cancelled;
- (f) on 6 November 2008, 294 Utilico Shares were issued on the exercise of Warrants;
- (g) on 6 November 2009, 878 Utilico Shares were issued on the exercise of Warrants; and
- (h) on 7 May 2010, 28 Utilico Shares were issued on the exercise of Warrants.

4.2 The authorised and issued share capital of Utilico as at the date of this document and, on the basis of the assumptions set out under the heading “Dilution” in Part 1 of this document will, upon Admission, be:

	<i>6 December 2010</i>		<i>Following the Effective Date</i>	
<i>Number of Ordinary Shares</i>	<i>Nominal value of issued Ordinary Shares (£)</i>	<i>Number of Ordinary Shares</i>	<i>Nominal value of issued Ordinary Shares (£)</i>	
86,373,863	8,637,386.30	100,384,349	10,038,434.90	

- 4.3 At at 6 December 2010, being the latest practicable date prior to the publication of this document, Utilico has 3,588,617 Warrants in issue. Each Warrant entitles the holder thereof to subscribe for 1.090909 Utilico Shares for every Warrant so held at a subscription price of 288.75p.
- 4.4 The ISIN number of the Utilico Shares is BMG9314Y1003 and the ISIN number of the Warrants is BMG9314Y1268.
- 4.5 The liability of Utilico Shareholders is limited to the amount payable in respect of the Utilico Shares held by them.
- 4.6 The rights attaching to the Utilico Shares are set out in paragraph 6 of this Part 8.
- 4.7 Save pursuant to the Warrant Instrument, no share or loan capital of Utilico is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 4.8 The Utilico Bye-laws and Memorandum of Association currently authorise the Directors to allot up to 127,479,500 Utilico Shares and following the passing of a resolution at the AGM held on 2 December 2010, the Bye-Laws incorporate pre-emption rights for existing Utilico Shareholders on the issue of Utilico Shares for cash. A resolution was also passed at the 2010 AGM to dis-apply such pre-emption rights in respect of 8,637,386 Utilico Shares, being approximately 10 per cent. of the issued share capital as at the date of the notice of the 2010 AGM. Where Utilico Shares are issued for non-cash consideration, such as pursuant to the Scheme and the GPLPF Subscription, pre-emption rights will not apply.
- 4.9 A resolution of Utilico was passed at Utilico’s AGM on 2 December 2010, which granted Utilico the authority to make market purchases of up to 12,947,442 Utilico Shares. This authority expires at the conclusion of the 2011 AGM. The maximum price to be paid will not be more than the price permitted by the Listing Rules at the time of purchase (which currently set a price equal to 5 per cent. above the average market value of the Utilico Shares as derived from the Daily List of the London Stock Exchange for the 5 business days before the purchase is made or the higher of (i) the price of the last independent trade and (ii) the highest current bid at the time of purchase), and any purchases made will be in accordance with the Listing Rules and the Bermuda Companies Act. In any event no purchase of Utilico Shares will be made at a price in excess of the Net Asset Value of the Utilico Shares (as determined by the Directors on a date falling not more than 10 days before the date of purchase).
- 4.10 As of the date of this document, Utilico has no listed or unlisted securities not representing share capital.

4.11 Under section 103 of the Bermuda Companies Act, the holders of not less than 95 per cent. of the Utilico Shares may give notice to the remaining Utilico Shareholders to acquire their Utilico Shares on the terms set out in the notice.

## 5 Directors' and other interests

5.1 As at the date of this document, the interests of the Directors and the persons connected (within the meaning of section 252 of the UK Companies Act 2006) with them (all of which will be beneficial) in the share capital of Utilico are as follows:

<i>Name</i>	<i>Utilico Shares</i>	<i>Percentage of Utilico's issued share capital</i>	<i>ZDP Shares</i>	<i>Percentage of Utilico Finance's issued share capital</i>
Michael Collier	20,000	0.02	—	—
Susan Hansen	7,000	0.01	—	—
Warren McLeland	—	—	—	—
Eric Stobart	10,000	0.01	—	—
Roger Urwin	144,371	0.2	52,029	0.14

5.2 In the financial year ended 30 June 2010, Michael Collier received a Director's fee of £35,000, Eric Stobart received a Director's fee of £33,000 and Susan Hansen, Warren McLeland and Roger Urwin each received a Director's fee of £25,000. The Directors were not paid any amount of remuneration by way of benefits in kind, pension contributions and any contingent or deferred compensation by the Company for their services in all capacities to the Company. Accordingly, there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors.

5.3 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by Utilico. Utilico maintains directors' and officers' liability insurance for the benefit of the Directors.

5.4 Save as referred to in paragraph 5.5 below, there are no actual or potential conflicts of interest between the duties of the Directors to Utilico and their respective private interests or other duties.

5.5 Warren McLeland is also a director of, and a shareholder in, Eclectic and therefore has an interest in the Scheme, under which assets held by Eclectic will be transferred to Utilico.

5.6 None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group which has been effected by it since its incorporation.

5.7 The companies and partnerships of which the Directors currently are or have been members of the administrative, management or supervisory bodies or partners at any time during the five years preceding the date of this document (excluding subsidiaries of such companies or partnerships) are as follows:

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Former directorships/partnerships</i>
Michael Collier	Ascendant Limited ATNP Finance Company Belco Holdings Limited Exelon Enterprises Investments Inc. Exelon Generation Finance Company LLC Somers Isles Shipping Co, Ltd. Teck Gold Ltd. Teck Base Metals Ltd. Teck Financial Corporation Ltd. Windsong Management Bermuda Limited	Indigo Trust Limited Utilico Emerging Markets Limited United Insurance Ltd.
Susan Hansen	Susan Hansen Limited	Finmedia Limited

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Former directorships/partnerships</i>
Warren McLeland	Eclectic Investment Company plc Intellect Holdings Limited RESIMAC Limited The Trust Company Limited Wilson's HTM Investment Group Limited	none
Eric Stobart	Adviser (177) Limited Bermuda Commercial Bank Limited Classic Southdown Omnibuses Limited Capita Managing Agency Limited Falcon Managers Limited A E Grant (Underwriting Agencies) Limited LGMC Investors LLP Lloyds TSB Group Pension Trust (No. 1) Limited Lloyds TSB Group Pension Trust (No. 2) Limited Lloyds TSB Group Pension Trustee Services Limited Lloyds Your Tomorrow Trustees Limited LSF Pensions Management Limited Norwich & Peterborough Building Society Permanent Investments Limited The Stroke Association The Throgmorton Trust plc The Third Throgmorton Trust Limited Third Bagleys Lane Management Company Limited T.T. Finance PLC	Advent Capital (Holdings) Plc Adviser (132) Limited GF One Limited GF Two Limited M J Gleeson Group PLC Hill Samuel Bank Limited Hill Samuel Overseas Holdings Limited Hill Samuel Finance (No 3) Limited Hill Samuel Finance (No 10) Limited Hill Samuel Finance (No 12) Limited Hill Samuel Finance (No 21) Limited Hill Samuel International Limited Hirefell Limited The Law Debenture Pension Trust Corporation P.L.C. The London Bus Preservation Trust Ltd London Handel Society Limited Millspires Limited Reamhurst Properties Limited RVC Developments Limited Tax Incentivised Savings Association Utilico Investment Trust PLC Wood Street Finance (No 1) Limited
Roger Urwin	Canadian Utilities Inc Canadian Utilities Limited	Alfred McAlpine plc National Grid plc National Grid Transco plc Utilico Investment Trust plc Special Utilities Investment Trust plc

5.8 Save as disclosed in paragraph 5 of this Part 8, none of the Directors has:

- (a) any convictions in relation to fraudulent offences for at least the previous five years;
- (b) ever been declared bankrupt or been the subject of an individual voluntary arrangement;
- (c) save as set out below, been a director of a company, a member of the administrative, management or supervisory body or a senior manager of a company within the previous five years which has gone into 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;
- (d) been a partner or a senior manager in a partnership which has gone into compulsory liquidation, administration or a partnership voluntary arrangement where he was a partner within the previous five years;
- (e) been subject to the receivership of any personal assets;
- (f) been a partner or a senior manager in a partnership which has gone into receivership where he was a partner within the previous five years;
- (g) been the subject of any official public incrimination or sanctions by any statutory or regulatory authority (including designated professional bodies) or disqualified by a court from acting as a director of a company or as member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any company.

- 5.9 Other than those persons set out below, Utilico is not aware of any persons holding, directly or indirectly, 3 per cent. or more of Utilico's issued share capital or any person who will hold directly or indirectly, 3 per cent. or more of Utilico's issued share capital after Admission:

	<i>Percentage of Utilico's issued ordinary share capital</i>
General Provincial Life Pension Fund (L) Limited	52.6
Foreign & Colonial Investment Trust PLC	12.1

- 5.10 Save in respect of GPLPF whose interest is set out in paragraph 5.9, Utilico is not aware of any persons who directly or indirectly, jointly or severally at the date of this document exercise or could exercise control over Utilico or immediately following Admission will exercise or would be able to exercise control over Utilico.
- 5.11 No Shareholders or Warrantholders have voting rights attached to their Shares or Warrants they hold which are different to the voting rights attached to any other Shares or Warrants issued by the Company.

## **6 Bye-laws**

- 6.1 Utilico's principal object is to carry on business as an investment company. The objects of Utilico are contained in its memorandum of association, which is available for inspection at the address specified in paragraph 13 of this Part 8.
- 6.2 The Utilico Bye-laws contain provisions, *inter alia*, to the following effect:

### *6.2.1 Income*

The Utilico Shares carry the right to receive the profits of Utilico available for distribution and determined to be distributed by way of dividend at such times as the Directors may determine. Any dividend unclaimed after a period of 12 years from the date such dividend is declared shall be forfeited and shall cease to remain owing by Utilico.

### *6.2.2 Capital*

On a return of assets, on a liquidation or otherwise, the surplus assets of Utilico after payment of all debts and satisfaction of all liabilities of Utilico shall be applied as follows:

- (a) first, if all of the Winding-Up Revenue Profits have not been distributed to holders of Utilico Shares by way of dividend, an amount equivalent to the amount of Winding-Up Revenue Profits not so distributed shall be paid to the holders of Utilico Shares *pro rata* to the number of Utilico Shares then held by them; and
- (b) second, there shall be paid to the holders of the Utilico Shares, after the payments to Utilico Finance which Utilico Finance is liable to pay to the holders of the ZDP Shares on their redemption in accordance with the Utilico Finance Bye-laws, the surplus assets of Utilico available for distribution *pro rata* to the number of Utilico Shares then held by them.

### *6.2.3 Voting*

The holders of the Utilico Shares shall have the right to receive notice of and to attend and vote at general meetings of Utilico. Each holder of a Utilico Share being present at a meeting shall upon a show of hands have one vote and, save as described paragraph in 6.2.4(b) below, upon a poll every such holder present in person or by proxy shall have one vote in respect of every Utilico Share held by him.

#### 6.2.4 *Voluntary liquidation of Utilico*

- (a) If all of the relevant ZDP Shares are not redeemed on or before the relevant Utilico Finance ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the Utilico Finance Bye-laws), the Directors shall convene a special general meeting of Utilico to be held within 60 days of the relevant Utilico Finance ZDP Repayment Date at which a resolution (the “Liquidation Resolution”) shall be proposed requiring that Utilico be wound up voluntarily pursuant to the Bermuda Companies Act. At such meeting the vote of those members entitled to vote shall be taken by poll and the provisions of sub-paragraph (b) below shall apply in relation to such vote.
- (b) At any such special general meeting, the Utilico Share issued to Utilico Finance in accordance with the Subscription Agreement and in respect of which Utilico Finance shall vote in favour of the Liquidation Resolution, shall, on the poll taken in respect of the Liquidation Resolution, have such number of votes in respect of the Utilico Share held by it so that the aggregate number of votes cast in favour of the Liquidation Resolution is four times the aggregate number of votes cast against the Liquidation Resolution and each member present in person or by proxy and entitled to vote and who votes against such resolution shall on a poll have one vote for each share held.
- (c) If an offer is made to all holders of ZDP Shares (other than the offeror and/or persons controlled by or acting in concert with the offeror) which becomes or is declared unconditional in all respects prior to the final Utilico Finance ZDP Repayment Date, which offer entitles holders of all outstanding ZDP Shares to receive not later than the date falling 14 days after the relevant Utilico Finance ZDP Repayment Date an amount in cash equal to or not less than that to which the Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of Utilico and on the basis that Utilico satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any option for alternative consideration pursuant to such offer) and such offer is recommended by the directors of Utilico Finance and it is stated to be, in the opinion of the financial adviser appointed by Utilico and Utilico Finance, fair and reasonable then the provisions of paragraphs (a) and (b) above shall not apply;
- (d) If at any general meeting of Utilico held on or prior to any Utilico Finance ZDP Repayment Date there is proposed any resolution to sanction any form of arrangement (whether involving the winding-up of Utilico, the redemption of the ZDP Shares or otherwise) which would enable the holders of the ZDP Shares to receive not later than the date falling 14 days after the relevant Utilico Finance ZDP Repayment Date an amount in cash equal to or not less than that to which the Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of Utilico and on the basis that Utilico satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any options ZDP Shareholders may be given to elect to receive any entitlement otherwise than in cash pursuant to the arrangement) then the provisions of paragraphs (a) and (b) above shall not apply.

#### 6.2.5 *Variation of Rights*

Subject to the Bermuda Companies Act, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least

holding or representing by proxy one-third in number of the issued shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). Every holder of shares shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the shares shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Bye-laws.

#### 6.2.6 *Offers of shares*

- (a) Subject to the provisions of the Bye-laws and without prejudice to any special rights conferred on the holders of any class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by resolution determine or if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.
- (b) Subject to the Bye-laws, the unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine. Whilst there are no provisions of Bermuda law equivalent to the provisions of the UK Companies Act 2006 which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash, pursuant to a resolution passed at the AGM held on 2 December 2010 such rights have been incorporated into the Bye-Laws, in accordance with the requirements of the Listing Rules.
- (c) The Company may also pay such brokerages and/or commissions as may be lawful.
- (d) No person shall be recognised by the Company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

#### 6.2.7 *Notice requiring disclosure of interest in shares*

The Directors may serve notice on any Shareholder requiring that Shareholder to disclose to the Company the identity of any person (other than the Shareholder) who has an interest in the shares held by the Shareholder. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.

If any Shareholder is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the shares concerned represent 0.25 per cent. or more of the issued shares), the Directors in their absolute discretion may serve a direction notice on the Shareholder. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "default shares") the Shareholder shall not be entitled to vote in general meetings. Where the default shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally direct that dividends on such shares will be retained by the Company (without interest) and that no transfer of the default shares (other than a transfer authorised under the Bye-laws) shall be registered until the default is rectified.

#### 6.2.8 *Transfer of shares*

Subject as provided below, any Shareholder may transfer all or any of his shares by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a share shall be signed by or on behalf of the transferor.

The Directors may refuse to register any transfer of shares unless the instrument of transfer is lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

The Directors may refuse to register a transfer:

- (a) of any share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis;
- (b) where the holding of such shares may result in regulatory, pecuniary, legal, taxation or material administrative disadvantage for the Company or the Shareholders as a whole; or
- (c) where permission of the Bermuda Monetary Authority to the transfer is required but has not been obtained.

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

#### 6.2.9 *Compulsory transfer of shares*

The Board may refuse to register any transfer of shares, or may require the transfer of shares owned or which appear to be owned directly by any person who, by virtue of his holding, may in the opinion of the Directors give rise to a breach of any applicable law or requirement in any jurisdiction or may cause or be likely to cause the Company or Shareholders some legal, pecuniary or material disadvantage or cause or be likely to cause the assets of the Company to be considered “plan assets” within the meaning of the regulations adopted under the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”), or which holding would or might result in the Company being required to register or qualify under the Investment Companies Act or other US law.

#### 6.2.10 *Alteration of capital and purchase of shares*

The Company may from time to time, subject to the provisions of the Bermuda Companies Act, purchase its own shares in any manner authorised by the Bermuda Companies Act.

The Bermuda Companies Act provides that the Company may by resolution consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; subdivide all or any of its shares into shares of a smaller amount than is fixed by the memorandum of association; cancel any shares which at the date of the resolution have not been taken or agreed to be taken and diminish its authorised share capital accordingly; and convert its fully paid shares into shares denominated in a different currency.

The Company may by resolution reduce its share capital, any redemption reserve fund or any stated capital account, including share premium account, in any manner permitted by and with and subject to any consent required by the Bermuda Companies Act.

#### 6.2.11 *Interests of Directors*

- (a) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the Company).
- (b) Subject to the Bermuda Companies Act, a Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
  - (i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of the Company or any of its subsidiaries;

- (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
  - (iii) a contract, arrangement, transaction or proposal concerning or the offer of shares, debentures or other securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;
  - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1 per cent. or more of any class of the equity share capital of any such company (or of any third company through which his interest is derived) or of the voting rights of such company;
  - (v) any arrangement for the benefit of employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
  - (vi) any proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.
- (c) Any Director may act by himself or by his firm in a professional capacity for Utilico other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
  - (d) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

#### 6.2.12 *Remuneration of Directors*

- (a) The Directors shall be remunerated quarterly for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees payable to the Directors shall not exceed £200,000 per annum (or such sum as Utilico in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
- (b) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to tenure of office and otherwise as the Directors may determine.
- (c) The Directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

#### 6.2.13 *Retirement of Directors*

- (a) Directors shall be subject to retirement by rotation and any Director who retires shall be eligible for re-appointment. One third of the directors will retire at each annual general meeting. Any Director who at an annual general meeting of Utilico shall have than been a Director at each of the preceding two annual general meetings of Utilico and did not retire by rotation at either such annual general meeting must retire by rotation.
- (b) A Director shall not be required to hold any qualification shares.

- (c) No person shall be or become incapable of being appointed a Director by reason of having attained the age of 70 or any other age and no Director shall be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

#### 6.2.14 *Dividends and distribution of assets on a winding up*

- (a) The Directors may if they think fit from time to time pay the Shareholders such interim dividends as appear to be justified by the profits of Utilico. ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.
- (b) No dividend or other amount payable to any Shareholder shall bear interest against Utilico. All unclaimed dividends and other amounts payable as aforesaid may be invested or otherwise made use of for the benefit of Utilico until claimed. Payment by Utilico of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute Utilico a trustee in respect thereof. Any dividend unclaimed 12 years from the date when it first became payable shall be forfeited automatically, without the necessity for any declaration or other action by Utilico.
- (c) The Directors are also empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to divide.
- (d) If the Company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of a resolution and any other sanction required by Bermuda Companies Act, divide amongst the members in specie the whole or any part of the assets of the company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.

#### 6.2.15 *Borrowing*

- (a) The Directors may exercise all and any powers of Utilico to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and the uncalled capital of Utilico and, subject to the provisions of the Bermuda Companies Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of Utilico.
- (b) The Board shall restrict the borrowings of Utilico and exercise all voting and other rights or powers of control exercisable by Utilico in relation to its subsidiary undertakings so that (so far as it is able), without the prior sanction of an ordinary resolution of Utilico, no new borrowings are incurred if, as a result, the aggregate principal amount outstanding of all net borrowings by the Group (excluding certain borrowings from one member of the Group to another member of the Group) exceeds an amount equal to 100 per cent. of Utilico's gross assets.
- (c) Any person lending money to the Company shall be entitled to assume that Utilico is acting in accordance with the Utilico Bye-laws and shall not be concerned to enquire whether such provisions have in fact been complied with.
- (d) Utilico Finance will not have power to incur any borrowings. To the extent that it incurs any operational costs or expenses, these will be funded by Utilico pursuant to the Subscription Agreement, further details of which are set out in paragraph 7 of this Part 8.

#### 6.2.16 *Register of Shareholders*

The register of Shareholders is the hard copy register of Shareholders kept in Bermuda pursuant to section 65 of the Bermuda Companies Act. A branch copy of the register of Shareholders will be kept in Jersey.

The register of Depository Interests representing the Shares and Warrants will be kept by the CREST Agent in the United Kingdom.

#### 6.2.17 Meetings

Annual general meetings typically are held on such date and at such place as the Directors may determine. Notices convening each annual general meeting, together with the annual accounts and reports, are sent to Shareholders holding shares at least 21 clear days before the date fixed for the meeting.

All general meetings other than annual general meetings are called special general meetings and notice for such meetings are sent to Shareholders holding ordinary shares at least 14 clear days before the date fixed for the meeting.

## 7 Material contracts

Save as described below, the Group has not (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this document; or (ii) entered into any contracts that contain provisions under which the Group has any obligation or entitlement that is material to the Group as at the date of this document.

### 7.1 Subscription Agreement

A subscription agreement (the “Subscription Agreement”) dated 14 May 2007 between Utilico and Utilico Finance pursuant to which, in consideration for Utilico Finance agreeing to transfer to Utilico certain assets, Utilico undertook to contribute (by way of gift, capital contribution or otherwise) such funds as will ensure that Utilico Finance will have in aggregate sufficient distributable reserves on each Utilico Finance ZDP Repayment Date (as defined in the Subscription Agreement) to satisfy the final capital entitlement of the ZDP Shares then due and any operational costs or expenses incurred by Utilico Finance.

Utilico has undertaken to Utilico Finance for so long as Utilico’s obligations under the Subscription Agreement remain outstanding:

- (a) that for so long as it is the holder of all the ordinary shares in issue in Utilico Finance, it shall not vote in general meetings to pass a resolution of Utilico Finance on the matters set out below without the previous sanction of a special resolution of the holders of each class of ZDP Shares passed at separate general meetings of such holders. The relevant matters are as follows:
  - (i) subject to paragraph (iv) below, the issue by Utilico Finance or by Utilico of any further shares or rights to subscribe for further shares or convert any securities into shares in any member of the Group or the reclassification of any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital, in priority to, or *pari passu* with, Utilico’s payment obligations under the Subscription Agreement in respect of any class of ZDP Shares;
  - (ii) the passing of a resolution for the voluntary winding up of Utilico Finance, such winding up to take effect prior to the final Utilico Finance ZDP Repayment Date (or, if that day is not a business day, the immediately preceding business day);
  - (iii) the passing of a resolution to reduce the capital of Utilico Finance in any manner or to purchase shares in Utilico Finance other than as permitted below;
  - (iv) the passing of a resolution amending the provisions of the Utilico Finance Bye-laws;
  - (v) the passing of a resolution authorising the Utilico Finance Directors to pay a dividend or other distribution out of the capital reserves of Utilico Finance; or

- (vi) the making of any material variation to the terms of the Subscription Agreement or any further subscription agreement entered into between Utilico and Utilico Finance in respect of any further issues of ZDP Shares which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the existing ZDP Shareholders,

provided that no such sanction will be required for the passing of any resolution authorising Utilico Finance to purchase any ZDP Shares where such shares may only be purchased at prices at or below their prevailing accrued capital entitlement (as determined by the directors of Utilico Finance in accordance with the Utilico Finance Bye-laws as at a date falling not more than 10 days before the date of the relevant repurchase) or at a higher price per ZDP Share if the directors of Utilico Finance determine this to be in the interests of ZDP Shareholders, or for any purchase of such ZDP Shares in accordance with any such resolution;

- (b) that it shall not (and that it shall, so far as it is able, procure that none of its subsidiaries shall) enter into any transaction which, if it were a transaction entered into by Utilico Finance, would require the sanction of the ZDP Shareholders under the Utilico Finance Bye-laws or otherwise as required by law without such sanction having been obtained;
- (c) that, except with such sanction as aforesaid or as required from time to time by the UK Listing Authority or any other relevant legal or regulatory requirement, it shall ensure that the board of directors of Utilico Finance as constituted from time to time comprises the same individuals who form the Board of Utilico;
- (d) that, except with such sanction as aforesaid, it will not make any distribution to the Shareholders in excess of the amount of its net revenues and revenue reserves nor will it make any repayment of capital to the Shareholders or repurchase any of the Utilico Shares in the event that following such repayment or repurchase the ZDP Cover shall be less than 1.4;
- (e) that it will have due regard to the interests of the ZDP Shareholders;
- (f) that if all of the relevant ZDP Shares are not redeemed on or before the relevant Utilico Finance ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the Utilico Finance Bye-laws), Utilico shall convene a special general meeting of Utilico to be held within 60 days of the relevant Utilico Finance ZDP Repayment Date at which a resolution shall be proposed requiring that Utilico be wound up voluntarily pursuant to the Bermuda Companies Act;
- (g) that it shall not, without the previous sanction of a special resolution of the holders of each class of ZDP Shares passed at separate general meetings of such holders undertake any of the following matters:
  - (i) issue any further shares or rights to subscribe for further shares or convert any securities into shares in Utilico or reclassify any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital, in priority to, or *pari passu* with, Utilico's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares unless the Directors shall have calculated and Utilico's financial adviser shall have reported to the Directors on such calculations within 60 days prior to the Calculation Date (as defined below) that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, the ZDP Shares in issue immediately thereafter would have a ZDP Cover of not less than 1.5 times. For this purpose, the ZDP Cover shall represent a fraction where the numerator is equal to the gross assets of the Group on the Calculation Date and the denominator is equal to the aggregate on the Calculation Date of (i) the aggregate capital entitlement on the relevant

Utilico Finance ZDP Repayment Dates of the ZDP Shares in issue on the Calculation Date and (ii) the outstanding amounts payable by the Group under bank facilities and any borrowings ranking in priority to its payment obligations under the Subscription Agreement. Gross assets for this purpose shall mean the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by Utilico, less current liabilities (not including contingent liabilities) of Utilico (other than principal monies borrowed), each as determined by the Directors. The Calculation Date, for the purpose of this paragraph 7.1(g)(i) shall mean the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the announcement of such issue or reclassification or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue. In calculating such ZDP Cover, the Directors shall where available:

- (A) use the gross assets of Utilico at the most recent practicable date before the Calculation Date;
- (B) assume that the share capital or rights proposed to be issued or arising on reclassification had been issued and/or exercised and/or reclassified at the end of the month prior to the Calculation Date;
- (C) adjust the gross assets of Utilico by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;
- (D) take account of the entitlements to be attached to the new shares or securities or rights to be issued;
- (E) aggregate the final capital entitlement of the existing ZDP Shares and the capital entitlements of the new shares or securities or rights to be issued as aforesaid in each case as at the relevant Utilico Finance ZDP Repayment Date;
- (F) make appropriate adjustments for any other issues or reclassifications or purchases of own share capital which have been made by Utilico or Utilico Finance since the end of the preceding month or will have been made by or at the time of the proposed issue of shares or rights of subscription or conversion into shares or reclassification; and
- (G) make such other adjustments as they consider appropriate.

The Directors shall have absolute discretion to determine whether the conditions set out above are satisfied in any case and no independent valuation need be carried out; or

- (ii) pass a resolution to reduce the share capital of Utilico in any manner or to purchase shares in Utilico other than as permitted below; or
- (iii) pass a resolution for the voluntary winding-up of Utilico, such winding-up to take effect prior to the final Utilico Finance ZDP Repayment Date; or
- (iv) alter any objects set out in the Memorandum of Association of Utilico; or
- (v) pass any resolution which authorises or permits the Directors to pay any dividend or other distribution out of the capital reserves of Utilico (which, for the avoidance of doubt, shall not include a bonus or capitalisation issue of shares) other than as permitted below; or
- (vi) change the investment policy of Utilico materially,

provided that no such sanction will be required for the passing of any resolution authorising Utilico to purchase Utilico Shares which shares may only be purchased at prices at or below their prevailing Net Asset Value on a diluted basis (as determined by the Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and where such repurchases shall not reduce the ZDP Cover below 1.4 times (as determined by the Directors as at a date

falling not more than 10 days before the date of the relevant repurchase) and taking into account of any related purchase by Utilico Finance of ZDP Shares which the directors of Utilico Finance determine to make at or about the same time.

## 7.2 *Management Agreement*

An Investment Management Agreement dated 27 September 2010 between Utilico, Utilico Finance and the Manager (the **Management Agreement**) under which Utilico and Utilico Finance have appointed the Manager to provide it with portfolio monitoring, research and other investment management services. The Agreement is subject to termination on 6 months' notice by ICM and on 12 months' notice by Utilico or Utilico Finance. The Management Agreement may be terminated by any of the parties forthwith in circumstances which are customary for an agreement of this type, including material breach and liquidation. Under the Management Agreement, the Manager is entitled to receive a fee equal to 0.5 per cent. per annum of the Group's gross assets after deducting current liabilities (excluding borrowings incurred for investment purposes) payable semi-annually in arrears. For these purposes, assets invested in other investment companies or funds or companies managed or advised by the Manager or its subsidiaries are disregarded. The Manager will also be reimbursed its out-of-pocket expenses, including reasonable travel and related costs. The Manager is also entitled to a performance fee calculated on the basis described in the Schedule to this document under the heading "Performance fee". ICM has the benefit of an indemnity from Utilico in relation to its liabilities incurred by ICM in the discharge of its duties under the Management Agreement other than those arising by reason of any fraud, wilful default, negligence on the part of ICM.

## 7.3 *Administration Agreement*

The Administration Agreement dated 14 May 2007 between Utilico, Utilico Finance and the Administrator relating to the provision of administrative services to the Group. Under the agreement Utilico and Utilico Finance have also appointed the Administrator as secretary to the Group. The agreement is terminable on 6 months' notice in writing and on shorter notice in the event of breach of contract or insolvency. The Administrator receives an annual fee of £295,000 (plus applicable VAT). Utilico will reimburse the Administrator in respect of reasonable out of pocket expenses including transaction, banking fees and charges. The Administrator has the benefit of an indemnity from Utilico under the terms of the Administration Agreement in relation to liabilities incurred in the discharge of its duties other than those arising by reason of any breach, fraud, wilful default or negligence.

## 7.4 *Custody Agreement*

A custody agreement dated 14 May 2007 between Utilico and the Custodian whereby Utilico has appointed the Custodian to act as custodian of the Group's investments, cash and other assets and to accept responsibility for the safe custody of the property of the Group which is delivered to and accepted by the Custodian or any of its sub-custodians. Each party is able to terminate the Custody Agreement on sixty days' notice in writing. The Custodian has an indemnity from Utilico in relation to liabilities incurred in the performance of its duties other than those incurred as a result of its negligence, fraud or wilful default and a general lien in respect of liabilities owing by the Group. The Custody Agreement provides that the Custodian will be liable for direct losses incurred by the Group that result from any appointed sub-custodian's failure to use reasonable care in the provision of custodial services, fraud or wilful default. The Custodian is not, however, liable for losses arising as a result of a sub-custodian going into liquidation or insolvency except in the case of an affiliated sub-custodian and accordingly the Group may suffer a loss of assets in the event of a liquidation or insolvency of a non-affiliated sub-custodian. The Custodian will receive from Utilico for the provision of such services such fees as may be agreed between the Custodian and Utilico from time to time, plus reasonable out-of-pocket and incidental expenses (including, but not limited to, legal fees and tax or related fees incidental to processing by governmental authorities, issuers, or their agents).

### 7.5 ***Loan Facility***

A £70 million multi-currency loan facility originally made between UIT and The Royal Bank of Scotland plc (**RBS**) dated 16 June 2003, subsequently novated to Utilico on 11 May 2007 and restated on 30 November 2007, and subsequently amended by several additional amending agreements. The loan is split into several tranches, only one of which, to the value of £30 million, is currently outstanding. No further sums can be drawn down under the facility agreement. The final repayment date for the loan is 31 March 2011.

The facility bears interest at an annual rate equal to the aggregate of: (i) sterling LIBOR for the interest period of the relevant advance (selected by Utilico); (ii) 2.5 per cent.; and (iii) an amount to reflect the mandatory costs of RBS in providing the facility.

RBS has a floating charge over the assets of Utilico in respect of amounts owing under the facility, secured by debentures under English and Bermuda law dated 11 May 2007.

The facility agreement contains representations, warranties, undertakings, events of default and indemnities which are customary for facility agreements of this nature.

### 7.6 ***Letters of Undertaking***

Pursuant to Letters of Undertaking dated 6 December 2010 Utilico will enter into the Sale and Purchase Agreement shortly before the Second Eclectic GM and the Transfer Agreement on or about the Effective Date.

### 7.7 ***Transfer Agreement***

Immediately following Eclectic entering into liquidation, Eclectic, the Liquidators, Ingot and Utilico will enter into the Transfer Agreement pursuant to which the assets of Eclectic comprised in the Rollover Fund will be transferred to Utilico in consideration for the issue of New Utilico Shares. The New Utilico Shares will be allotted to the Liquidators as nominees and bare trustees and the Liquidators will renounce the New Utilico Shares in favour of Eclectic Shareholders who elected for New Utilico Shares in accordance with their entitlements under the Scheme.

### 7.8 ***Sale and Purchase Agreement***

Shortly before the Second Eclectic GM, Eclectic, Ingot and Utilico will enter into the Sale and Purchase Agreement, pursuant to which any non-cash assets of Eclectic comprised in the Cash Fund and the Liquidation Fund will be transferred to Utilico in consideration for a cash payment by Utilico of an amount equal to the aggregate value of the assets comprised in the Cash Fund and Liquidation Fund, determined in accordance with the Scheme as at the Calculation Date.

### 7.9 ***GPLPF Subscription Agreement***

An agreement between the Company and GPLPF dated 6 December 2010 pursuant to which GPLPF agreed to subscribe for New Utilico Shares, valued as at the Utilico FAV per Share as at the Calculation Date, the consideration for such subscription being satisfied by the transfer to the Company by GPLPF of the Resolute Assets, which will be valued at their closing bid price on the Australian Stock Exchange on the Calculation Date, converted into sterling at the A\$/£ sterling exchange rate applying on that date. Pursuant to the agreement, GPLPF has given certain standard warranties to the Company. The New Utilico Shares to be issued by the Company will rank *pari passu* with all other Utilico Shares in issue as at the date of their allotment.

### 7.10 ***Westhouse Securities Engagement Letter***

The engagement letter dated 2 December 2010 between Utilico and Westhouse Securities pursuant to which Westhouse Securities will provide financial advice to Utilico in connection with the Proposals.

### 7.11 ***Sponsor Engagement Letter***

The Sponsor engagement letter dated 19 October 2010 between Utilico, ICM and Howard Kennedy pursuant to which Howard Kennedy will act as Utilico's sponsor in connection with the Proposals.

### **7.12 *Depository and Custody Services Agreement***

A depository and custody services agreement dated 11 May 2007 between Utilico and the Depository pursuant to which Computershare Investor Services PLC has agreed to act as CREST Agent and UK transfer agent to Utilico. Under the agreement, the Depository is entitled to a set up fee and ongoing annual fees. The agreement is terminable by either party on 6 months' notice.

### **7.13 *BCB Custody Agreement***

A custody agreement dated 30 May 2010 between Utilico and Bermuda Commercial Bank Limited (**BCB**) pursuant to which BCB as Utilico's custodian in respect of such cash and investments as Utilico shall from time to time deposit with BCB. The fees payable to BCB depend on the nature and quantity of the assets deposited with BCB and there is no minimum fee. There is no obligation on Utilico to deposit any assets with BCB. The agreement can be terminated on three months' notice by either party.

## **8 Investment Restrictions**

If and for so long as required by the Listing Rules of the UKLA in relation to closed-ended investment companies, the Company has adopted the following investment and other restrictions:

- 8.1 the Company will at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy;
- 8.2 the Company will not conduct any trading activity which is significant in the context of the Group as a whole; and
- 8.3 not more than 10 per cent. in aggregate of the value of the total assets of the Company at the time the investment is made will be invested in other closed-ended investment funds which are listed on the Official List (except to the extent that those investment funds have stated investment policies to invest no more than 15 per cent. of their total assets in other investment companies which are listed on the Official List).

## **9 Litigation**

There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous 12 months which may have, or have had in the recent past, significant effects on any member of the Group's financial position or profitability.

## **10 Significant change**

Save for the rise in the unaudited value of the Company's net assets from £143.7 million (audited) as at 30 June 2010 to £177.1 million (unaudited) as at 30 November 2010 (being the latest practicable date prior to the publication of this document) and a corresponding rise in the NAV per Ordinary Share from 166.39 pence per Ordinary Share (audited) to 205.03 pence per Ordinary Share (unaudited) over the same period, there has been no significant change in the financial or trading position of the Group since 30 June 2010, being the date to which the latest audited annual results of the Company were published.

## **11 Related party transactions**

The Company was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three financial years to 30 June 2008, 2009 and 2010 or during the period from 1 July 2010 to 30 November 2010 (being the latest practicable date prior to the publication of this document) other than it being a party to the Management Agreement (described in paragraph 7.2 of this Part 8), the Letters of Undertaking described in paragraph 7.6 of this Part 8 and the GPLPF Subscription Agreement described in paragraph 7.9 of this Part 8. The Transfer Agreement and the Sale and Purchase Agreement will constitute related party transactions when entered into.

## **12 Miscellaneous**

- 12.1 Utilico currently has 3 employees: Charles Jillings, James Smith and Mark Lebbell. Save as disclosed in this paragraph no member of the Group has any employees.
- 12.2 No member of the Group owns or leases any land or buildings.
- 12.3 No application is being made for the New Utilico Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the main market of the London Stock Exchange.
- 12.4 Utilico has two subsidiaries, Utilico Finance and Utilico NZ Limited, both of which are wholly owned subsidiaries. Utilico Finance is incorporated in Bermuda and Utilico NZ Limited is incorporated in New Zealand.
- 12.5 The Manager was incorporated in Bermuda on 18 June 2010 as an exempted limited liability company with registered number 44350. The registered office of the Manager is 19 Par-la-Ville Road, Hamilton HM11, Bermuda (a representative of the Manager can be contacted on telephone number +44 (0) 1372 271486).
- 12.6 The auditors to the Company for the three financial periods ended 30 June 2008, 2009 and 2010 were Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU.
- 12.7 Westhouse Securities has given and not withdrawn its written consent to the issue of this document and references to its name in the form and context in which such references appear.
- 12.8 Howard Kennedy has given and not withdrawn its written consent to the issue of this document and references to its name in the form and context in which such references appear.

## **13 Documents available for inspection**

Copies of the following documents will be available for inspection at the registered office of Utilico at Canon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda and at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of Admission:

- (a) the existing Utilico Bye-laws (as amended at the AGM held on 2 December 2010);
- (b) the material contracts referred to in paragraph 7 above of this Part 8;
- (c) the letters of appointment of the Directors referred to in Part 5 of this document under the heading "Corporate Governance";
- (d) the written consents referred to paragraph 12 above of this Part 8;
- (e) the Scheme Circular; and
- (f) this document.

## **14 Availability of Prospectus**

A copy of this document has been submitted to the National Storage Mechanism and is available for inspection at: [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do).

6 December 2010

## DEFINITIONS

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

<b>2012 ZDP Class Meeting</b>	the separate class meeting of the holders of 2012 ZDP Shares convened for 10.05 a.m. (Bermuda time) (or as soon as practicable thereafter as the SGM has concluded or been adjourned) on 7 January 2011, notice of which is set out at the end of this document, or any adjournment thereof
<b>2012 ZDP Shares</b>	zero dividend preference shares of 10p each issued by Utilico Finance that entitle their holders to a capital repayment of 177.52p per share on 31 October 2012
<b>2014 ZDP Class Meeting</b>	the separate class meeting of the holders of 2014 ZDP Shares convened for 10.10 a.m. (Bermuda time) (or as soon as practicable thereafter as the 2012 ZDP Class Meeting has concluded or been adjourned) on 7 January 2011, notice of which is set out at the end of this document, or any adjournment thereof
<b>2014 ZDP Shares</b>	zero dividend preference shares of 10p each issued by Utilico Finance that entitle their holders to a capital repayment of 167.60p per share on 31 October 2014
<b>2016 ZDP Class Meeting</b>	the separate class meeting of the holders of 2016 ZDP Shares convened for 10.15 a.m. (Bermuda time) (or as soon as practicable thereafter as the 2014 ZDP Class Meeting has concluded or been adjourned) on 7 January 2011, notice of which is set out at the end of this document, or any adjournment thereof
<b>2016 ZDP Shares</b>	zero dividend preference shares of 10p each issued by Utilico Finance that entitle their holders to a capital repayment of 192.78p per share on 31 October 2016
<b>Administration Agreement</b>	the administration agreement entered into between Utilico, Utilico Finance, Ingot and F&C Management Limited, the terms of which are summarised in paragraph 7.3 Part 8 of this document
<b>Administrator or Secretary</b>	F&C Management Limited
<b>Admission</b>	the admission of the New Utilico Shares to a premium listing on the Official List and to trading on the London Stock Exchange's main market for listed securities
<b>AIC</b>	the Association of Investment Companies
<b>AIC Code</b>	the AIC Code of Corporate Governance
<b>Bermuda Companies Act</b>	the Bermuda Companies Act 1981, as amended from time to time
<b>Bye-laws</b>	the bye-laws of the Company
<b>Board or the Directors</b>	the board of directors of the Company and <b>Director</b> means any one of them

<b>Calculation Date</b>	the close of business on 5 January 2011 or such other time and date as agreed between the Independent Directors and the Eclectic Independent Directors
<b>Cash Fund</b>	the pool of assets of Eclectic to be established under the Scheme for the purpose of meeting elections made or deemed to be made by Eclectic Shareholders for the Cash Option
<b>Cash Option</b>	the option being made available to Eclectic Shareholders under the Scheme to elect to receive a cash sum (being 95 per cent. of the Eclectic FAV per Share) in respect of the Eclectic Shares;
<b>Circular</b>	the circular published by the Company on the same date as this Prospectus
<b>City Code</b>	the City Code on Takeovers and Mergers, administered by The Panel on Takeovers and Mergers
<b>Class Meetings</b>	together, the 2012 ZDP Class Meeting, the 2014 Class Meeting and the 2016 ZDP Class Meeting, or any of them as the context may require
<b>Combined Code</b>	the Combined Code on Corporate Governance issued by the Financing Reporting Council
<b>Company or Utilico</b>	Utilico Limited
<b>Corporate Governance Code</b>	The UK Corporate Governance Code, published by the Financial Reporting Council, which will apply to all companies listed on the Official List in respect of the accounting periods starting on or after 30 June 2010;
<b>CREST</b>	the computerised settlement system operated by Euroclear UK & Ireland, which facilitates the transfer of title to securities in uncertificated form
<b>Custodian</b>	JPMorgan Chase Bank N.A.
<b>Custody Agreement</b>	the custody agreement entered into between Utilico and JPMorgan Chase Bank the terms of which are summarised in paragraph 7.4 of Part 8 of this document
<b>Depository</b>	Computershare Investor Services PLC
<b>Depository Interests</b>	the dematerialised depository interests issued by the Depository representing the underlying Ordinary Shares
<b>Depository and Custody Services Agreement</b>	the depository and custody services agreement entered into by Utilico and Computershare Investor Services PLC further details of which is set out in paragraph 7.12 of Part 8 of this document
<b>Eclectic</b>	Eclectic Investment Company plc, incorporated in England and Wales with registered number 02133976
<b>Eclectic Directors</b>	the directors of Eclectic
<b>Eclectic FAV</b>	the net asset value of Eclectic's undertaking, cash and other assets as at the Calculation Date, after deducting the Liquidation Fund (calculated in accordance with the Scheme)
<b>Eclectic FAV per Share</b>	The Eclectic FAV divided by the number of Eclectic Shares in issue on the Calculation Date (excluding treasury shares)

<b>Eclectic Independent Directors</b>	the Eclectic Directors excluding Warren McLeland
<b>Eclectic Resolutions</b>	the resolutions to be proposed at the First Eclectic GM and the Second Eclectic GM
<b>Eclectic Shareholders</b>	holders of Eclectic Shares
<b>Eclectic Shares</b>	ordinary shares of 25p each in the capital of Eclectic
<b>Effective Date</b>	the date on which the Scheme becomes effective (which is expected to be 17 January 2011)
<b>Emerging Markets</b>	predominantly countries included in leading emerging market indices
<b>FAV</b>	the formula asset value of an Eclectic Share or a Utilico Share (as the context may require), calculated in accordance with the Scheme
<b>First Eclectic GM</b>	the general meeting of Eclectic convened for 12.00 noon (London time) on 7 January 2011
<b>FSA</b>	the Financial Services Authority
<b>FSMA</b>	Financial Services and Markets Act 2000
<b>GPLPF</b>	General Provincial Life Pension Fund (L) Limited, the Company's majority shareholder
<b>GPLPF Subscription</b>	the subscription by GPLPF for New Utilico Shares in consideration for the transfer to the Company of the Resolute Assets
<b>GPLPF Subscription Agreement</b>	the agreement between GPLPF and Utilico dated 6 December 2010 relating to the GPLPF Subscription, the terms of which are summarised in Part 1 and paragraph 7.9 of Part 8 of this document
<b>Gross Assets</b>	the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by the Group, less current liabilities (not including contingent liabilities) of Utilico (other than principal monies borrowed and any payments due under the Subscription Agreement in respect of the ZDP Shares)
<b>Group</b>	Utilico and all of its subsidiaries from time to time, including Utilico Finance
<b>ICM or Manager</b>	ICM Limited
<b>Independent Directors</b>	in relation to the Scheme and the GPLPF Subscription, all of the Directors except Warren McLeland
<b>Ingot</b>	Ingot Capital Management Pty Limited
<b>in uncertificated form</b>	recorded in the register of members or warrant holders of Utilico as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>Investment Company Act</b>	the United States Investment Company Act 1940, as amended
<b>ISA</b>	Individual Savings Account
<b>Liquidators</b>	the liquidators for the time being of Eclectic

<b>Liquidation Fund</b>	the liquidation fund to be established by the Liquidators in order to meet the expenses of the winding up of Eclectic and Eclectic's unknown liabilities
<b>Listing Rules</b>	the listing rules of the UK Listing Authority made under section 73A of FSMA
<b>London Stock Exchange</b>	London Stock Exchange plc
<b>Management Agreement</b>	the investment management agreement entered into between Utilico, Utilico Finance and ICM and dated 27 September 2010, the terms of which are summarised in paragraph 7.2 of Part 8 of this document
<b>Meetings</b>	The SGM and the Class Meetings, or any of them, as the context may require
<b>Net Asset Value or NAV</b>	in respect of the Ordinary Shares, the amount which would be payable to a Shareholder on any specified date if the Company was wound up and its assets (after making provisions for all its liabilities, including the amounts due to ZDP Shareholders) distributed on that date, valuing assets and providing for liabilities in accordance with the normal accounting policies of the Company, but ignoring winding up expenses
<b>New Utilico Shares</b>	new ordinary shares of 10p each in the capital of the Company proposed to be issued pursuant to the Scheme and the GPLPF Subscription
<b>NLPL</b>	National Life & Pensions (L) Limited, Eclectic's majority shareholder
<b>Notice of Class Meeting</b>	the notices convening each of the Class Meetings set out in the Circular
<b>Notice of Special General Meeting</b>	the notice convening the SGM set out at the end of the Circular
<b>Official List</b>	the official list of the UK Listing Authority
<b>Ordinary Shares or Utilico Shares</b>	ordinary shares of 10p each in the capital of the Company
<b>Overseas Holders</b>	save as otherwise determined by the Independent Directors and the Eclectic Independent Directors pursuant to the Scheme, Eclectic Shareholders who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom, Channel Islands and the Isle of Man
<b>Proposals</b>	together, the Scheme, the GPLPF Subscription, the Share Premium Cancellation, the change to the Company's investment policy, the change of name of Utilico and the increase in the Company's authorised share capital
<b>Prospectus</b>	this document issued by Utilico dated 6 December 2010 prepared in accordance with the Listing Rules and the Prospectus Rules of the Financial Services Authority
<b>Prospectus Rules</b>	the prospectus rules made by the FSA under section 73A of FSMA
<b>Registrars</b>	Computershare Investor Services (Jersey) Limited

<b>Registrar Agreement</b>	the branch registrar agreement entered into between Utilico and Computershare Investor Services (Jersey) Limited
<b>Resolute</b>	Resolute Mining Limited
<b>Resolute Assets</b>	the 19,965,369 ordinary shares in Resolute (having an aggregate value of £15.0 million, based on the closing bid price on the Australian Stock Exchange on 30 November 2010 and the A\$/£ sterling exchange rate of 1.6238 on that date) to be transferred by GPLPF to the Company pursuant to the GPLPF Subscription
<b>Resolutions</b>	the resolutions to be proposed at the SGM as set out in the Notice of Special General Meeting and the resolutions to be proposed at the Class Meetings, as set out in the Notices of Class Meetings
<b>Rollover Fund</b>	the pool of assets of Eclectic to be established under its Scheme to be transferred to Utilico pursuant to the Transfer Agreement for the purpose of meeting elections made by Eclectic Shareholders for New Utilico Shares
<b>Sale and Purchase Agreement</b>	the agreement to be entered into by Eclectic, Ingot and Utilico providing, <i>inter alia</i> , for the sale of any non-cash assets in the Cash Fund and the Liquidation Fund to Utilico
<b>Savings Plans</b>	the F&C Private Investor Plan and the F&C Pension Savings Plan
<b>Savings Plan Participants</b>	the participants in the Savings Plans
<b>Scheme or Eclectic Scheme</b>	the proposed scheme for the reconstruction and solvent winding up of Eclectic as more fully described in the Scheme Circular
<b>Scheme Circular</b>	the circular to Eclectic Shareholders dated 6 December 2010 in connection with the Scheme
<b>Second Eclectic GM</b>	the general meeting of Eclectic convened for 12.00 noon (London time) on 17 January 2011
<b>Shareholders or Utilico Shareholders</b>	holders of Ordinary Shares
<b>Share Premium Cancellation</b>	the cancellation of the Company's current share premium account as described in this document
<b>Special General Meeting or SGM</b>	the special general meeting of the Company convened for 10.00 a.m. (Bermuda time) on 7 January 2011, notice of which is set out in the Circular, or any adjournment thereof
<b>sterling</b>	the lawful currency of the United Kingdom
<b>Subscription Agreement</b>	the agreement dated 14 May 2007 between Utilico, Ingot and Utilico Finance pursuant to which, <i>inter alia</i> , Utilico Finance transferred certain assets to Utilico in consideration for which Utilico agreed to put Utilico Finance into sufficient funds to enable it to pay the final capital entitlement of each ZDP Share when it falls due for payment in accordance with Utilico Finance's Bye-laws and any operational costs or expenses incurred by Utilico Finance

<b>Transfer Agreement</b>	the agreement to be entered into by the Liquidators (in their personal capacity and on behalf of Eclectic), Ingot and Utilico providing, <i>inter alia</i> , for the transfer of the Rollover Fund from Eclectic to the Company in connection with the Scheme
<b>UIT</b>	Utilico Investment Trust plc, the predecessor to Utilico
<b>UK or United Kingdom</b>	the United Kingdom of Great Britain and Northern Ireland
<b>UKLA or UK Listing Authority</b>	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>Utilico FAV</b>	the Net Asset Value as at the Calculation Date, having deducted Utilico's costs pursuant to the Proposals calculated in accordance with the Scheme
<b>Utilico FAV per Share</b>	the Utilico FAV divided by the number of Utilico Shares in issue on the Calculation Date (excluding treasury shares)
<b>Utilico Finance</b>	Utilico Finance Limited, a subsidiary of Utilico
<b>Utilico Finance Bye-laws</b>	the bye-laws of Utilico Finance, as amended from time to time
<b>Utilico Shareholder</b>	a holder of Utilico Shares
<b>United States</b>	United States of America
<b>VAT</b>	value added tax
<b>Warrantholder</b>	a holder of Warrants
<b>Warrant Instrument</b>	the deed poll of Utilico dated 14 May 2007 constituting the Warrants
<b>Warrants</b>	warrants issued by Utilico on the terms and conditions of the Warrant Instrument, entitling holders to subscribe for 1.090909 Utilico Shares for each warrant held at a subscription price of 288.75 pence each
<b>Winding-up Revenue Profits</b>	the net revenue profits of Utilico (including accumulated revenue reserves) as at the proposed date of winding up of Utilico, determined in accordance with Utilico's usual accounting policies and the Bye-laws
<b>ZDP Cover</b>	has the meaning given to it in the Utilico Finance Bye-Laws
<b>ZDP Repayment Date</b>	the date on which the final capital entitlement becomes due for each class of ZDP Share, being 31 October 2012, 31 October 2014 and 31 October 2016 respectively
<b>ZDP Shareholders</b>	holders of ZDP Shares
<b>ZDP Shares</b>	the 2012 ZDP Shares, the 2014 ZDP Shares and the 2016 ZDP Shares





