

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser duly authorised under the Financial Services and Markets Act 2000 without delay.**

**Prospective investors' attention is drawn to pages 8 to 13 of this document, which set out the principal risk factors associated with an investment in Utilico and Utilico Finance.**

If you have sold or otherwise transferred all your Utilico Investment Trust Ordinary Shares, Utilico Investment Trust ZDP Shares, Utilico Investment Trust Warrants and/or CULS, 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. However, this document and the accompanying documents should not be forwarded to or transmitted in or into any jurisdiction where to do so might violate the laws and regulations of that jurisdiction.

A copy of this document, which comprises a prospectus in relation to Utilico and Utilico Finance and has been prepared in accordance with the Listing Rules of the UK Listing Authority and the Prospectus Rules of the Financial Services Authority made pursuant to section 73A of the Financial Services and Markets Act 2000, has been filed with the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

Applications will be made to the UK Listing Authority and the London Stock Exchange for the Utilico Shares, Utilico Warrants and Utilico Finance ZDP Shares issued and to be issued in connection with the recommended proposals for the voluntary winding-up and reconstruction of Utilico Investment Trust, to be admitted to 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 Utilico Shares, Utilico 2008 Warrants and Utilico Finance ZDP Shares will commence, on 20 June 2007. It is expected that dealings in the Utilico 2012 Warrants will commence as soon as practicable after 20 June 2007.

**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.**

---

## **UTILICO LIMITED**

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

**Issue of up to 79.8 million Ordinary Shares and up to 12.4 million 2008 Warrants  
and  
Bonus Issue of up to 3.62 million 2012 Warrants**

and

## **UTILICO FINANCE LIMITED**

*(Incorporated in Bermuda under the Companies Act 1981, as amended, with company number 39479)*

**Issue of up to 45.5 million 2012 Zero Dividend Preference Shares  
and  
Placing and Offer for Subscription of up to 37.5 million package units at an offer price  
of £2.00 per package unit each comprising one 2014 Zero Dividend Preference Share of  
10p and one 2016 Zero Dividend Preference Share of 10p**

**in connection with the recommended proposals  
for the voluntary winding-up and reconstruction of Utilico Investment Trust plc**

*Financial Adviser, Broker and Sponsor*  
**Arbuthnot Securities Limited**

*Investment Manager*  
**Ingot Capital Management Pty Ltd**

---

Arbuthnot 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 Issues and the Placing and the Offer, and will not be responsible to any person other than Utilico and Utilico Finance for providing the protections afforded to customers of Arbuthnot Securities Limited or for providing advice to them in relation to the Issues, the Placing and Offer or any other matter referred to in this document. Arbuthnot Securities Limited 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 offer of any of the Shares or Warrants (or any class thereof) 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 paragraph 8 of Part 6 of this document.

**14 May 2007**

## CONTENTS

	<i>Page</i>
Summary	3
Risk Factors	8
Important Information	14
Expected Timetable	15
Placing and Offer Statistics	16
Directors, Investment Manager and Advisers	17
PART 1 Information on the Group	19
PART 2 Utilico Investment Trust's Investment Portfolio	38
PART 3 Terms and Conditions of Utilico 2008 Warrants	40
PART 4 Terms and Conditions of Utilico 2012 Warrants	52
PART 5 Taxation	64
PART 6 General Information	68
PART 7 Assumptions	94
PART 8 Terms and Conditions of the Offer	95
Definitions	100

## SUMMARY

This summary should be read as an introduction to the full text of this document and any decision to invest in the Shares or the Warrants 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 and its wholly-owned subsidiary, Utilico Finance, are both new exempted closed-ended investment companies established in Bermuda to act as the successor vehicles of Utilico Investment Trust in connection with its proposed scheme of reconstruction and voluntary liquidation. Both Utilico and Utilico Finance have been incorporated with indefinite lives.

Upon the Scheme becoming effective, all of Utilico Investment Trust's assets (including its existing investment portfolio, other than those assets appropriated to the liquidation fund in accordance with the Scheme) will be transferred to the Group and:

- each Utilico Investment Trust Ordinary Shareholder will receive one Utilico Share for every Utilico Investment Trust Ordinary Share held on the Record Date;
- each Utilico Investment Trust ZDP Shareholder will receive one Utilico Finance 2012 ZDP Share for every Utilico Investment Trust ZDP Share held on the Record Date; and
- each Utilico Investment Trust Warrantholder will receive 64 Utilico 2008 Warrants for every 100 Utilico Investment Trust Warrants held on the Record Date.

In addition Utilico Finance is proposing to raise up to £75 million pursuant to a Placing and Offer for Subscription of up to 37.5 million Utilico Finance 2014 ZDP Shares and up to 37.5 million Utilico Finance 2016 ZDP Shares at a price of £2.00 per package of one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share which equates to a 7.25 per cent. per annum gross redemption yield, based on the Assumptions. The proceeds of the Placing and Offer will be advanced to Utilico and invested in accordance with its investment policies.

Immediately following the implementation of the Scheme, there will be a further bonus issue of up to 3.62 million Utilico 2012 Warrants to Utilico Shareholders and Utilico 2008 Warrantholders.

The Board comprises:

Michael Collier (*Chairman*)  
Eric Stobart  
Roger Urwin  
Susan Hansen  
Warren McLeland

All of the Directors are independent of Ingot Capital Management Pty Ltd, the Investment Manager.

### Capital structure

Utilico's share capital will comprise Utilico Shares and Utilico 2008 Warrants which are to be issued pursuant to the Scheme. In addition, immediately following the implementation of the Scheme, there will be a further bonus issue of up to 3.62 million Utilico 2012 Warrants to Utilico Shareholders and Utilico 2008 Warrantholders.

On a winding up, after satisfying all 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 Utilico Finance ZDP Shares on their redemption), Utilico Shareholders will be entitled to all the remaining assets of Utilico.

Utilico Finance's share capital will comprise ordinary shares (all of which shall be held by Utilico) and three classes of Utilico Finance ZDP Shares, of which the Utilico Finance 2012 ZDP Shares will be issued pursuant to the Scheme and the Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares will be issued under the Placing and Offer.

The Utilico Finance ZDP Shares are not entitled to any dividends and are designed to provide a predetermined final capital entitlement payable on their redemption which ranks behind Utilico's bank borrowings and other creditors, but in priority to the Utilico Shares (except for any undistributed revenue reserves). Utilico has agreed to place Utilico Finance in sufficient funds to enable it to pay the capital entitlement of each class of Utilico Finance ZDP Share on their respective redemption dates.

Applications will be made for the Shares and Warrants to be admitted to the Official List of the UK Listing Authority and to be traded on the main market of London Stock Exchange. It is expected that dealings will commence in the Utilico Shares, Utilico 2008 Warrants and Utilico Finance ZDP Shares on 20 June 2007. It is expected that dealings will commence in the Utilico 2012 Warrants as soon as practicable after 20 June 2007.

### **Investment objective and policy**

Utilico's 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).

Utilico's investment policy is flexible and will permit it to make investments in existing infrastructure, utility and related sectors, including (but not limited to) water and sewerage companies, electricity, gas, telecommunications, postal companies, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new infrastructure or utility asset which may arise. Utilico may also invest in businesses which supply services to or otherwise support the infrastructure, utility and related sectors.

Utilico will look to minimise risk by investing predominantly in companies and sectors displaying the characteristics of natural monopolies such as utilities, transportation, infrastructure, telecommunications or companies with a unique product or market position. Utilico generally will look to invest in companies with strong franchises and good management who have the potential to grow their business and an appreciation of an ability to manage risk.

It is Utilico's intention to observe the investment restrictions necessary to comply with the Listing Rules which are in force from time to time.

### **Investment outlook**

The investment market faces a number of issues with investor focus being on interest rates, inflation, growth, commodity prices and exchange rates. The infrastructure and utilities sector remains a key focus for the markets and the two key factors influencing this sector, corporate activity and strong earnings, remain in place and should continue to benefit investors. Utilico's focused portfolio should benefit from these factors.

### **Dividend policy**

The Directors anticipate distributing the majority of net revenue arising from normal income streams (such as dividends) less normal costs (such as management fees).

### **Management arrangements**

The Directors are responsible for the determination of Utilico's investment policy and have overall responsibility for the Group's day-to-day activities. Utilico has, however, entered into an Investment Management Agreement with Ingot under which Ingot has been appointed with responsibility for the management of Utilico's portfolio and the provision of various other management services to it, subject to the overriding supervision of the Directors.

Ingot is an Australian investment manager regulated by the Australian Securities and Investments Commission and has acted as the investment adviser to Utilico Investment Trust since its establishment in June 2003 as the successor vehicle to Special Utilities Investment Trust plc (“SUIT”). It previously acted as the co-manager of SUIT.

The Investment Manager follows a systematic investment process. It sources and analyses investment opportunities before making investments where it believes they offer good value. The Investment Manager has an established network of industry contacts and investment opportunities are sourced through a combination of sector monitoring and a review of markets. The Investment Manager has a good long term record in stock selection in the infrastructure, utility and related sectors.

The Investment Manager will receive a management fee equal to 0.5 per cent. per annum of the Group’s Gross Assets payable by Utilico semi-annually in arrears (plus any applicable GST) and is also reimbursed its out of pocket expenses. In addition, the Investment Manager is entitled to receive a performance fee which is based on 15 per cent. of the net asset value outperformance of Utilico (against the FTSE Actuaries Govt. Securities UK Gilts 5 to 10 Years Index) attributable to holders of Utilico Shares. For the purposes of the first calculation of the performance fee, the opening net asset value of Utilico will be deemed to equal the last high water mark (as defined in paragraph II of this Part 1) in respect of which Ingot received a performance fee from Utilico Investment Trust prior to its liquidation less any professional fees and expenses incurred by Utilico Investment Trust and Utilico in connection with the Scheme.

### **Borrowing policy**

The Board is obliged to restrict Utilico’s borrowings to an aggregate amount equal to 100 per cent. of the Group’s Gross Assets. It is intended that the existing RBS Loan Facility will be novated to Utilico conditional on the Scheme proceeding.

In addition, Utilico will acquire all of Utilico Investment Trust’s shares in Utilico NZ Limited pursuant to the Scheme and the existing ANZ Loan Facility entered into by Utilico NZ Limited shall remain in place.

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

Both Utilico and Utilico Finance have authority to make market purchases of up to 14.99 per cent. of their Shares. The Directors will consider repurchasing Utilico Shares and Utilico Finance ZDP Shares in the market if they believe it to be in Shareholders’ interests.

Purchases of Utilico Shares and Utilico Finance ZDP Shares will be at the discretion of the Directors, made within the maximum price permitted by the UK Listing Authority and in accordance with the Bermuda Companies Act, and 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 on a diluted basis (as determined by the Utilico Directors on a date falling not more than 10 days before the date of purchase); and
- no purchase of Utilico Finance ZDP Shares will be made at a price in excess of 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 Utilico Finance ZDP Shareholders.

In addition, no Utilico Shares will be purchased at a price such that, immediately following such purchase and on the basis of Utilico’s Net Asset Value, the ZDP Cover on any class of Utilico Finance ZDP Shares (on the date as determined by the Directors and taking into account any related purchase of Utilico Finance ZDP Shares) would be less than 1.4 times.

The Board will endeavour to make any purchases of Utilico Shares and Utilico Finance ZDP Shares in the same proportions as exist on the Effective Date 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.

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, the Group's share capital purchased pursuant to share buy-backs may be held in treasury. This will give the Group the ability to sell Shares from treasury quickly and in a cost efficient manner, and would provide the Group with additional flexibility in the management of its capital base.

However, unless authorised by Utilico Shareholders, Utilico will not issue Utilico Shares out of treasury for cash at a price below the prevailing Net Asset Value per Utilico Share on a diluted basis unless they are first offered pro rata to existing Utilico Shareholders.

However, unless authorised by Utilico Finance ZDP Shareholders, Utilico Finance will not issue Utilico Finance ZDP Shares out of treasury for cash at a price below their accrued capital entitlement unless they are first offered pro rata to existing Utilico Finance ZDP Shareholders.

Under the terms of the respective Warrant Instruments, Utilico has the ability to buy back Warrants in the market to ensure compliance with the Listing Rules. Any Warrants so purchased will be cancelled and shall not be available for re-issue or resale.

Utilico Shares and Utilico Warrants will be bought-back at the same time so as to ensure that the number of Warrants in issue at any one time does not exceed 20 per cent. of the issued equity share capital of Utilico.

### **Formation expenses**

The formation and initial expenses of the Group incurred in connection with the Issues and the Placing and Offer are estimated to be approximately £1.8 million (including UK stamp duty on the assets transferred to the Group pursuant to the Scheme estimated to amount to £0.5 million and placing commissions of £0.8 million).

### **Risk factors**

An investment in the Shares and Warrants 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 the Shares and Warrants which are known to the Directors are set out below:

- An investment in Shares involves a high degree of risk. Accordingly, prospective investors should carefully consider the risks attaching to an investment in Utilico and/or Utilico Finance, prior to making any investment decision.
- The past performance of Utilico Investment Trust and the other funds managed or advised by Ingot is not indicative of the future performance of Utilico.
- There may not be a liquid market for the Shares and/or the Warrants and the price of the same 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 Ingot depends upon Ingot's success at correctly interpreting market data and the performance of Utilico's investments depends on Ingot's correct assessments of the future course of price movements of Utilico's assets.

- 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 generalist fund.
- Utilico is heavily dependent on the expertise of Ingot, and its Directors and employees.
- Utilico will invest in utilities which are, in general, exposed to a higher level of political and regulatory risk than companies in stock markets as a whole.
- Utilico will invest substantially in securities which are not denominated or quoted in Sterling, and accordingly Utilico's results will be affected by movements in foreign exchange ratios to the extent not hedged.
- Ingot serves as investment 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 will use gearing; this exposes investors to increased risk.
- The ability of Utilico Finance to pay the final capital entitlement of the Utilico Finance ZDP Shares on their maturity will be dependent on Utilico being able to meet its funding obligations under the Subscription Agreement.
- 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 Utilico Finance ZDP Shares on their redemption).
- Utilico and Utilico Finance are incorporated in Bermuda, therefore the City Code on Takeovers and Mergers does not apply to them.
- 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.

### **Profile of typical investor**

An investment in the Shares and/or Warrants is intended for institutional or high net worth/sophisticated investors who are interested in infrastructure, utility and related sectors of both developed and Emerging Markets and are aware of the risks, including the potential volatility of investing in such sectors and jurisdictions. Any investor must be able to accept the possibility of losses and an investment in Shares and/or Warrants is only intended for investors who can afford to set aside the invested capital for a number of years.

## **RISK FACTORS**

**Investment in the Shares and/or Warrants 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 or Utilico Finance prior to making any investment decision. The risks referred to below are all the material risks applicable to Utilico and Utilico Finance 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 Utilico and/or Utilico Finance.**

**Any decision to invest in Utilico and/or Utilico Finance should be based on a consideration of this document as a whole. An investment in Utilico and/or Utilico Finance 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.**

**Utilico's business, financial condition or operations, and consequently Utilico Finance's ability to pay the redemption amount due on the Utilico Finance ZDP Shares on their respective redemption dates, could be materially and adversely affected by the occurrence of any of the risks described below. In such circumstances, the market price of the Shares and/or Warrants could decline and investors could lose all or part of their investment.**

### **General**

The Shares and Warrants are designed to be held over the long term and may not be suitable as short-term investments. In particular, early exercise of the subscription rights attached to the Warrants may not prove beneficial. 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 objectives will be met.

### **Shares**

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

### **Utilico Shares**

The Group's capital structure will be such that the underlying value of assets attributable to the Utilico Shares will be geared on the performance of Utilico's assets relative to the rising capital entitlements of the Utilico Finance ZDP Shares and the amount of the Group's borrowings. The Utilico Shares will therefore be geared by the Loan Facilities and the Utilico Finance ZDP Shares. A positive Net Asset Value for the Utilico Shareholders will be dependent upon Utilico's assets being sufficient to meet those prior entitlements and all other liabilities of Utilico.

The Utilico Shares will rank for repayment of capital after the Loan Facilities, any other bank finance provided to the Group and, save in respect of the Winding-Up Revenue Profits, after the Utilico Finance ZDP Shares and all other liabilities of Utilico.

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.

### **Utilico Finance ZDP Shares**

The Utilico Finance ZDP Shares, whilst ranking for payment in priority to the Utilico Shares (save in respect of Winding-Up Revenue Profits), will rank behind the Loan Facilities for their capital repayment on their respective Utilico Finance ZDP Repayment Dates.



By way of illustration:

- (i) if the Gross Assets were to fall by more than 69.3 per cent., or by more than 19.8 per cent. per annum, during the period from 20 June 2007 to the Utilico Finance 2012 ZDP Repayment Date, this would result in a lower amount than the 177.52p entitlement per Utilico Finance 2012 ZDP Share due on the Utilico Finance 2012 ZDP Repayment Date, based on the Assumptions. If the Gross Assets were to fall by more than 87.5 per cent. or by more than 32.1 per cent. per annum during this period and based on the Assumptions, this would result in no payment being made to the Utilico Finance 2012 ZDP Shareholders;
- (ii) if the Gross Assets were to fall by more than 55.2 per cent., or by more than 10.3 per cent. per annum, during the period from 20 June 2007 to the Utilico Finance 2014 ZDP Repayment Date, this would result in a lower amount than the 167.60p entitlement per Utilico Finance 2014 ZDP Share due on the Utilico Finance 2014 ZDP Repayment Date, based on the Assumptions. If the Gross Assets were to fall by more than 69.3 per cent. or by more than 14.8 per cent. per annum during this period and based on the Assumptions, this would result in no payment being made to the Utilico Finance 2014 ZDP Shareholders; and
- (iii) if the Gross Assets were to fall by more than 38.9 per cent., or by more than 5.1 per cent. per annum, during the period from 20 June 2007 to the Utilico Finance 2016 ZDP Repayment Date, this would result in a lower amount than the 192.78p entitlement per Utilico Finance 2016 ZDP Share due on the Utilico Finance 2016 ZDP Repayment Date, based on the Assumptions. If the Gross Assets were to fall by more than 55.2 per cent. or by more than 8.2 per cent. per annum during this period and based on the Assumptions, this would result in no payment being made to the Utilico Finance 2016 ZDP Shareholders.

The market value of the Utilico Finance ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the Utilico Finance ZDP Shares.

### **Warrants**

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, which could be unfavourable or favourable, in the respective price of the Warrants.

### **Liquidity of the Shares and Warrants generally**

The price at which the Shares and Warrants will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to Utilico and Utilico Finance and the Group's investments and some which may affect companies generally. Admission to the Official List should not be taken as implying that there will be a liquid market for the Shares or the Warrants.

Utilico is aiming to achieve capital growth and, therefore, Shares and Warrants may not be suitable as a short-term investment. Consequently, Share and Warrant prices may be subject to greater fluctuation on small volumes of shares or warrants, and thus the Shares and Warrants may be difficult to sell at a particular price.

### **Investor returns**

The past performance of Utilico Investment Trust and other funds managed or advised by the Investment Manager is not indicative of the future performance of Utilico. Whilst it is anticipated that Utilico's returns will be in accordance with its investment objective, 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 Investment Manager depends upon the Investment 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 Utilico's investments depends to a great extent on correct assessments of the future course of price movements of securities and other investments selected by the Investment Manager. There can be no assurance that the Investment Manager will be able to accurately predict these price movements. With respect to the investment strategies utilised by the Investment Manager, there is always some, and occasionally a significant, degree of market risk.

### **Infrastructure and utility sectors**

Utilico will concentrate on investments in the infrastructure and utility sectors and accordingly may be regarded as representing a different risk than a generalist fund.

The 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 80 per cent. of the portfolio and include Infratil Limited (a holding company with investments in the power, waste and transportation sectors), Ecofin Water & Power Opportunities (an investment company investing mainly in the water, electricity and gas sectors within the developed markets of the UK, Europe and the United States) and Utilico Emerging Markets Limited (an investment company investing in utilities predominantly in emerging markets) which may have common investments with Utilico.

### **Economic conditions**

Changes in economic conditions including, for example, interest rates, rates of inflation; industry conditions, competition, changes in commodity markets (in particular oil), political and diplomatic events and other factors could substantially and adversely affect Utilico's prospects.

### **Political and country risks**

Utilico may invest directly or indirectly (including through its investment in Utilico Emerging Markets Limited) in infrastructure and utilities based in countries where the infrastructure and utilities regulatory framework is still developing. There is no assurance that future political and economic conditions in the individual countries in which Utilico invests will not result in their governments adopting different policies with respect to foreign investment in infrastructure and utilities. 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 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. 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. No assurance can be given that the hedging strategies which may be used by Utilico will be successful under all or any market conditions.

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.

### **Investment in investment funds**

Unlike certain other split capital investment funds, it is not a central part of Utilico's investment policy to invest in other investment funds. In particular, Utilico does not have a policy of investing a proportion of its assets in high yielding split capital investment funds (which may themselves invest in other such funds). However, Utilico has flexibility to invest in other investment funds investing in the infrastructure and utility sector and in particular has significant investments in Infratil Limited, Utilico Emerging Markets Limited and Ecofin Water & Power Opportunities. Investment in other investment funds can expose Utilico to further layers of fees (although Ingot will not earn a management fee in respect of assets invested by Utilico in funds managed or advised by Ingot or its subsidiaries) and gearing. Underlying funds may also invest in other funds (but cross investment between funds 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 will use gearing. Gearing can be employed in a variety of ways including direct borrowing, margining (that is, an amount of cash or eligible securities an investor deposits with a broker when borrowing to buy securities) 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.

## **Exchange risks**

Utilico will invest substantially in securities which are not denominated or quoted in sterling, the base currency of Utilico. The Group's Net Asset Value will be reported in sterling, part of the borrowings of Utilico will be incurred (and interest paid) in sterling, the accrual on the Utilico Finance 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 may or may not have the desired effect.

Those persons who have purchased any Shares or Warrants with currencies other than sterling have a currency risk by virtue of holding such securities.

## **Competition**

A number of private equity houses, institutions and other investors have become active in seeking private equity investments in infrastructure and utility assets. Competition for a limited number of attractive investment opportunities may lead to a delay in investment and may increase the price at which investments may be made and reduce the potential profits.

## **Potential conflicts of interest**

The Investment Manager and its affiliates serve as investment manager or investment adviser to other clients, including Utilico Emerging Markets Limited and may be involved in other financial, investment or professional activities. In particular, it may provide investment management, investment advice or other services in relation to funds which may have similar investment policies to that of Utilico. As a result, the Investment 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 Investment 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 infrastructure and utilities. 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. This policy is described in paragraph 5 of Part 1 of this document.

## **Key personnel**

The ability of Utilico to achieve its investment objective is significantly dependent upon the expertise of the Investment 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 objectives. Utilico and the Investment 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. Statements in this document concerning the taxation of Shareholders and Warrant holders are based upon current tax law and what is understood to be current tax practice, both of which are subject to change.

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 and Secretary 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.

### **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. In order to avoid being required to register under the Investment Company Act, Utilico and Utilico Finance have imposed restrictions on the transfer of the Shares and Warrants. Such restrictions may materially affect the ability of an investor to transfer Shares and Warrants in the United States or to US Persons.

### **No Takeover Protection**

Utilico and Utilico Finance are incorporated in Bermuda and are managed and controlled outside the UK. For those reasons the City Code does not apply to Utilico or Utilico Finance. It is emphasised that, although the Utilico Shares and Utilico Finance ZDP Shares will be admitted to the Official List and will trade on the main market of the London Stock Exchange, neither Utilico nor Utilico Finance will be 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 Shares and Warrants representing 30 per cent. or more of the issued share capital of Utilico or Utilico Finance or to exercise control over their respective affairs without being under an obligation to make an offer to acquire the Shares and Warrants not owned by them, as would be required by Rule 9 of the City Code.

As at 10 May 2007, GPLPF held 50.3 per cent. of the voting rights exercisable on a poll at a general meeting of Utilico Investment Trust. Following the Proposals, assuming full conversion of the CULS, it is expected that GPLPF will continue to hold more than 50 per cent. of Utilico's issued share capital.

### **Enforcement of Judgements**

As Utilico and Utilico Finance are Bermuda exempted companies, the rights of Shareholders will be governed by Bermuda law and the respective Memoranda of Association and Bye-laws of Utilico and Utilico Finance. 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 Utilico Finance or those persons who may be liable under UK law.

### **Further share issues**

Utilico and Utilico Finance may issue additional shares or other equity securities in subsequent public offerings or private placements. Neither company is required under Bermuda law to offer any such shares to existing Shareholders so as to participate in such future share issues, which may dilute the existing Shareholders' interests in Utilico and/or Utilico Finance.

In addition, an issue of additional shares or equity securities by Utilico or Utilico Finance, or the possibility of an issue, may cause the market price of the Shares and/or Warrants to fluctuate.

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

## 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 13 of this document and “Part 1 - 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 Group’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 and Utilico Finance undertake 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 Group’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 10 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 Shares or Warrants in any jurisdiction in which such offer, invitation or solicitation is unlawful. In particular, no Shares or Warrants 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 Shares or Warrants 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.

The Shares and Warrants will be issued under the Scheme to Utilico Investment Trust Ordinary Shareholders, Utilico Investment Trust ZDP Shareholders, Utilico Investment Trust Warrantholders and CULS Holders (as appropriate) with registered or mailing addresses in New Zealand in reliance on the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002. In accordance with that exemption notice, no specific New Zealand offering documents have been prepared in relation to the Proposals or the Placing and Offer.

## EXPECTED TIMETABLE\*

	<i>2007</i>
Offer opens	14 May 2007
Latest time for receipt of completed Application Forms and payment under the Offer	11 a.m. on 8 June
Effective date for commencement of the Scheme	19 June
Announcement of the results of the Placing and Offer	19 June
Record Date for Bonus Issue of Utilico 2012 Warrants	7.30 a.m. on 20 June
Utilico Shares, Utilico 2008 Warrants and Utilico Finance ZDP Shares to be admitted to the Official List and dealings therein commence on the London Stock Exchange	8.00 a.m. on 20 June
Utilico Shares, Utilico Finance ZDP Shares and Utilico 2008 Warrants issued in uncertificated form under the Scheme and the Placing and Offer credited to the CREST accounts of Shareholders and Warranholders entitled thereto	20 June
Utilico 2012 Warrants to be admitted to the Official List and dealings therein commence on the main market of the London Stock Exchange	20 June or as soon as practicable thereafter
Utilico 2012 Warrants issued in uncertificated form under the bonus issue credited to accounts of Shareholders and Warranholders entitled thereto	20 June or as soon as practicable thereafter
Latest date for despatch of definitive certificates in respect of Utilico Shares, Utilico Finance ZDP Shares and Warrants issued in certificated form pursuant to the Scheme and the Placing and Offer to the persons entitled thereto	27 June

\* All references to times are to London time

## PLACING AND OFFER STATISTICS

Offer price per package unit comprising one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share	200p
Total number of Utilico Finance 2014 ZDP Shares available under the Placing and Offer	up to 37,500,000
Total number of Utilico Finance 2016 ZDP Shares available under the Placing and Offer	up to 37,500,000
Gross Proceeds of the Placing and Offer (before expenses)	up to £75 million

Notes:

- (i) The maximum amount of Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares available under the Placing and Offer will be in aggregate 75,000,000.



## DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	Michael Collier ( <i>Chairman</i> ) Eric Stobart Roger Urwin Susan Hansen Warren McLeland
Registered Offices (Utilico and Utilico Finance)	Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Assistant secretary	Appleby Corporate Services (Bermuda) Ltd Canon's Court 22 Victoria Street Hamilton HM 12 Bermuda
Investment Manager	Ingot Capital Management Pty Ltd Level 11 1 York Street Sydney 2000 Australia A representative of the Investment Manager can be contacted on telephone: + 44 (0)1372 271 486
Financial Adviser, Broker and Sponsor	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Legal Adviser to the Group as to English law	Norton Rose 3 More London Riverside London SE1 2AQ
Legal Adviser to the Group as to Bermuda law	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)20 7628 8000
Registered Auditor	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
Custodian	JPMorgan Chase Bank, N.A. 125 London Wall London EC2Y 5AJ  Telephone: +44 (0)20 7777 2000

Registrar

Computershare Investor Services (Channel  
Islands) Ltd  
P O Box 83  
Ordnance House  
31 Pier Road  
St Helier  
Jersey JE4 8PW  
Channel Islands

Depositary and CREST Agent

Computershare Investor Services PLC  
P O Box 82  
The Pavilions  
Bridgwater Road  
Bristol BS99 7NH  
United Kingdom

## PART 1

### INFORMATION ON THE GROUP

#### 1 Introduction

Utilico Investment Trust announced on 19 April 2007 its intention to re-domicile to Bermuda. Utilico and its wholly-owned subsidiary Utilico Finance have been established in Bermuda to act as the successor vehicles of Utilico Investment Trust, with the intention that Utilico will carry on the same business as Utilico Investment Trust, adopting the same investment objective and the same investment policies. Utilico will be managed by Ingot Capital Management Pty Ltd, Utilico Investment Trust's existing investment adviser.

Pursuant to the Scheme, Utilico Investment Trust will be wound up under section 110 of the Insolvency Act 1986 and upon the winding up commencing, the Liquidators, Utilico and Utilico Finance will enter into the Transfer Agreement. Under the Transfer Agreement, all of Utilico Investment Trust's assets (including its existing investment portfolio, other than those assets appropriated to the Liquidation Fund in accordance with the Scheme) will be transferred to Utilico and Utilico Finance.

Under the Scheme:

- each Utilico Investment Trust Ordinary Shareholder will receive one Utilico Share for every Utilico Investment Trust Ordinary Share held on the Record Date;
- each Utilico Investment Trust ZDP Shareholder will receive one Utilico Finance 2012 ZDP Share for every Utilico Investment Trust ZDP Share held on the Record Date; and
- each Utilico Investment Trust Warrantholder will receive 64 Utilico 2008 Warrants for every 100 Utilico Investment Trust Warrants held on the Record Date.

Immediately following the implementation of the Scheme, there will be a further bonus issue of up to 3.62 million Utilico 2012 Warrants to Utilico Shareholders and Utilico 2008 Warrantholders.

Further details of the rights attached to the Utilico Shares, Utilico Finance ZDP Shares and Utilico Warrants are set out in paragraphs 4 and 6 of Part 6 of this document respectively.

The total value of the assets to be transferred to the Group pursuant to the Transfer Agreement will depend on the value of Utilico Investment Trust's assets and liabilities on the date of transfer. As at 30 April 2007, the latest practicable date prior to the publication of this document, Utilico Investment Trust had unaudited Gross Assets of £372.1 million and an unaudited Net Asset Value of £241.5 million and as at 10 May 2007, the latest date prior to the publication of the document, 64,706,093 Utilico Investment Trust Ordinary Shares, 45,444,137 Utilico Investment Trust ZDP Shares, £19,958,502 CULS and 19,358,317 Utilico Investment Trust Warrants were in issue. On 30 April 2007, Utilico Investment Trust had an unaudited Net Asset Value per Utilico Investment Trust Ordinary Share (on a diluted basis) and per Utilico Investment Trust ZDP Share of 293.40p and 121.17p respectively.

Utilico Finance is also proposing to raise up to a further £75 million (before expenses) through a Placing and Offer for Subscription of up to 37.5 million package units at an offer price of £2.00 per package unit each comprising one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share. The net proceeds of the Placing and Offer will be advanced by Utilico Finance to Utilico and invested in accordance with Utilico's investment policies, in consideration of Utilico entering into the Subscription Agreement and agreeing to fund Utilico Finance's redemption of the Utilico Finance ZDP Shares in accordance with the respective rights attaching to those shares.

#### 2 Incorporation

##### *Utilico*

Utilico is a new exempted closed-ended Bermuda incorporated investment company, established as a successor company to Utilico Investment Trust. Utilico's share capital will comprise Utilico Shares. It will also issue Utilico 2008 Warrants and Utilico 2012 Warrants. Applications will be made for the Utilico Shares and Utilico Warrants to be admitted to the Official List of the UK Listing Authority and to be traded on the main market of the London Stock Exchange.

Utilico has an indefinite life and there is no requirement that the Board propose a continuation vote at any specified annual general meeting of Utilico.

### ***Utilico Finance***

Utilico Finance has also been formed as a new exempted closed-ended Bermuda incorporated investment company and is a wholly owned subsidiary of Utilico. At Admission it is expected that Utilico Finance's share capital will comprise three classes of Utilico Finance ZDP Shares (with different maturity dates ranging from 31 October 2012 to 31 October 2016).

Utilico Finance also has an indefinite life and it is not intended that Utilico Finance will be liquidated when any class of Utilico Finance ZDP Shares become due for repayment. Utilico Finance may from time to time consider the issue of further classes of zero dividend preference shares with differing redemption dates and different redemption yields than the classes of Utilico Finance ZDP Shares in issue at Admission.

Application has also been made for the Utilico Finance ZDP Shares to be admitted to the Official List of the UK Listing Authority and to be traded on the main market of the London Stock Exchange.

### **3 Utilico's Investment Objective and Policy**

- Utilico's 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).
- Utilico's investment policy is flexible and will permit it to make investments in existing infrastructure, utility and related sectors, including (but not limited to) water and sewerage companies, electricity, gas, telecommunications, postal companies, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new infrastructure asset which may arise. Utilico may also invest in businesses which supply services to or otherwise support the infrastructure, utility and related sectors.
- Utilico will focus directly on the developed markets of the UK, Europe, North America and Australasia but will have the flexibility to invest world-wide. It will, however, also seek exposure to Emerging Markets through its investment in Utilico Emerging Markets Limited and it will keep developing markets under review, looking to invest in stocks with the potential to deliver long-term, above-average returns. Details of the relationship between Utilico and Utilico Emerging Markets Limited, and the basis on which potential investment opportunities in Emerging Markets may be allocated between them is set out below in paragraph 5 of Part 1 of this document.
- Utilico will search for undervalued investments. Utilico aims to identify situations where underlying value is not reflected in the market price either as a result of changes in regulation, technology, market motivation, financial engineering, competition or shareholder apathy.

Utilico will look to minimise risk by investing predominantly in companies and sectors displaying the characteristics of natural monopolies such as utilities, transportation, infrastructure, telecommunications or companies with a unique product or market position. Utilico will generally look to invest in companies with strong franchises and good management who have the potential to grow their business and an appreciation of an ability to manage risk.

Utilico has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and contracts for differences where suitable opportunities arise. Utilico may also invest in unlisted securities.

Utilico may use derivative instruments such as contracts for differences, financial futures, options and warrants for the purposes of efficient portfolio management. Utilico may from time to time hedge sterling foreign currency exposures of the investment portfolio, particularly where future foreign currency receipts are expected. Utilico may also, where appropriate, hedge general foreign currency exposures on a longer term basis.

The investment policy of Utilico described above will, in the absence of unforeseen circumstances, be adhered to for at least three years following Admission. Any material change in that investment policy within that period may only be made with the approval of Utilico Shareholders by ordinary resolution.

The companies in which Utilico will invest are, in general, exposed to a higher level of political and regulatory risk than companies in stock markets as a whole. **Further details of the risk factors to which Utilico and Utilico Finance may be exposed are set out on pages 8 to 13 of this document.**

### ***Investment outlook***

The investment market faces a number of issues with investor focus being on interest rates, inflation, growth, commodity prices and exchange rates. The infrastructure and utilities sector remains a key focus for the markets and the two key factors influencing this sector, corporate activity and strong earnings, remain in place and should continue to benefit investors. Utilico's focused portfolio should benefit from these factors.

### ***Investment portfolio***

Under the Scheme, Utilico's portfolio on launch will consist of Utilico Investment Trust's portfolio as at the Effective Date, other than any assets appropriated to the Liquidation Fund in accordance with the Scheme.

Details of the ten largest investments of Utilico Investment Trust's portfolio, its geographical spread and sectoral weighting, all as at 30 April 2007 (being the latest practicable date prior to the publication of this document), are set out in Part 2 of this document.

The portfolio transferred to the Group pursuant to the Scheme and the Transfer Agreement may alter depending on variations in the relevant markets and any relevant purchases and sales of investments between that date and the time of the transfer.

### ***Investment restrictions***

It is Utilico's intention to observe the investment restrictions necessary to comply with the Listing Rules from time to time in force and details of the current investment restrictions to which Utilico will be subject are set out in paragraph 9 of Part 6 of this document.

Utilico may establish special purpose investment vehicles in order to pursue its investment policy where the Directors consider that for tax or other reasons this is the most efficient way to make an investment.

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

An investment in the Shares and/or Warrants is intended for institutional or high net worth/sophisticated investors who are interested in infrastructure, utility and related sectors of both developed and Emerging Markets and are aware of the risks, including the potential volatility of investing in such sectors and jurisdictions. Any investor must be able to accept the possibility of losses and an investment in Shares and/or Warrants is only intended for investors who can afford to set aside the invested capital for a number of years.

## **4 Directors**

The Directors of Utilico and Utilico Finance, all of whom are non-executive and independent of the Investment Manager, will have overall responsibility for the Group's activities and the determination of Utilico's investment policy.

The Directors are as follows:

**Michael Collier** (*Chairman*). Aged 61, Mr Collier was born in Bermuda and educated in Bermuda, the UK and North America. He joined the Bank of Butterfield in Bermuda in 1963 and following overseas training in the UK, USA and a number of promotions, was appointed as President and Chief Operating Officer in 1992 and Chief Executive in 1994. Michael retired from this position in 1996. He currently holds the position of Chairman of Belco Holdings Limited, a director of Exelon Generation Finance Company LLC, ATNP Finance Company and Exelon Enterprises Investments Inc., all Delaware entities and subsidiaries of Exelon Corporation. In addition he is a director of a number of US and Bermuda companies. Michael is also a non-executive director of Utilico Emerging Markets Limited but will step down from this position before Admission.

**Eric Stobart**. Aged 58, Mr Stobart, a Fellow of the Institute of Chartered Accountants of England and Wales, is Director of Public Policy and Regulation for Lloyd's TSB Group PLC and is also a Non-Executive Director of MJ Gleeson Group PLC, the Throgmorton Trust PLC, Advent Capital

(Holdings) PLC and CMGL Syndicate Management Limited. Mr Stobart is a Trustee of the Lloyd's TSB Group pension scheme and Chairman of its Investment Review Panel. He was Corporate Finance Director and Chief Executive of Hill Samuel Bank before taking up his current position at Lloyd's TSB Group PLC.

**Dr. Roger Urwin.** Aged 61, Dr. Urwin has many years experience in the UK electricity industry, playing a major role in its restructuring and privatisation. He was appointed as the Group Chief Executive of National Grid Group in 2001, where he played a key role in establishing the company's international strategy and its successful expansion into the United States. He later held the position of Group Chief Executive of National Grid Transco plc (which changed its name to National Grid plc in July 2005) between October 2002 and December 2006. He is currently a non-executive director of Alfred McAlpine Plc, a director of Canadian Utilities Limited and a Fellow of the Royal Academy of Engineering.

**Susan Hansen.** Aged 45, Susan has worked in financial services since 1980. She is a member of the Institutes of Chartered Accountants in South Africa and Australia and has an MBA. Susan has previous experience in chartered accountancy firms and investment banking, and is currently Principal of a financial training organisation in New Zealand.

**Warren McLeland.** Aged 61, Warren, formerly a stockbroker and investment banker, is now Chief Executive Officer of RESIMAC Limited, a securitisation company, and an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is presently a non-executive director of Trust Company of Australia, Eclectic Investment Trust plc, Intellect Holdings Limited and Wilsons HTM Investment Group Limited. Warren has an undergraduate degree in Science and an MBA.

## 5 Investment Manager

The Directors are responsible for the determination of Utilico's investment policy and have overall responsibility for the Group's day-to-day activities. Utilico has, however, entered into an Investment Management Agreement with Ingot under which Ingot has been appointed with responsibility for the discretionary management of Utilico's portfolio and the provision of various other management services to it, subject to the overriding supervision of the Directors.

Ingot has acted as the investment adviser to Utilico Investment Trust since its establishment in June 2003 as the successor vehicle to SUIT. It previously acted as the co-manager of SUIT.

The Investment Management Agreement has been entered into on substantially the same commercial terms (including as to the rights of the respective parties to terminate the agreement and also as to the level of management and performance fees payable to Ingot) as the Investment Advisory Agreement entered into between Utilico Investment Trust and Ingot. The principal difference is that under the Investment Management Agreement, Ingot has been appointed to act as discretionary investment manager whilst Utilico Investment Trust was a self managed fund and Ingot provided investment advice under the Investment Advisory Agreement. Further details of the Investment Management Agreement are summarised in paragraph 7.2 of Part 6 of this document.

The 4 individuals, including Charles Jillings, who are currently employed by Utilico Investment Trust will become employees of Utilico pursuant to employment contracts substantially on the same terms as those on which they are currently employed by Utilico Investment Trust (save that Charles Jillings shall not be a director of Utilico). These individuals will provide substantially the same services to Utilico which they currently provide to Utilico Investment Trust. Alan Wheatley shall also be an employee of Utilico.

### *Investment philosophy*

Ingot's investment philosophy is to focus on infrastructure and utilities which it believes have more favourable prospects. This philosophy has the following features:

- searching for under-valued companies that are often under-rated and under-researched;
- developing techniques to compare infrastructure and utility 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.

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

### ***Investment process***

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

### ***Investment Performance***

Ingot acted as the investment adviser to Utilico Investment Trust since its establishment in June 2003, as the successor vehicle to SUIT. During that period Utilico Investment Trust performed well against the infrastructure and utilities sector and the market as a whole.

Utilico Investment Trust's capital appreciation remained strong and its Net Asset Value performance since launch is shown in the table below, compared against the performance of the FTSE All Share Index and the DJ World Utilities Index:

<i>Utilico Investment Trust share/Index</i>	<i>Undiluted initial NAV per share/index value on commencement of trading of Utilico Investment Trust on 14 August 2003</i>	<i>Unaudited NAV (undiluted) per share/ index value on 30 April 2007</i>	<i>% increase</i>
Utilico Investment Trust Ordinary Share	84.38p*	373.15p	342.2
FTSE All-Share Index	2062	3356	62.8
DJ World Utilities Index (sterling adjusted)	67.3	127.4	89.3

\* 14 August 2003 NAV per ordinary share is a pro-forma number which shows the position had Utilico Investment Trust's existing capital structure immediately prior to the Scheme been in place at the time.

The following table provides details of the dividends paid by Utilico Investment Trust over the past three years:

<i>Period end</i>	<i>Net dividend per Utilico Investment Trust Ordinary Share in pence</i>
30 June 2004*	1.60
30 June 2005	1.90
30 June 2006	0.40

Source: Utilico Investment Trust plc

\* Period 14 August 2003 to 30 June 2004

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

### ***Co-investment***

It is envisaged by the Board and Ingot that opportunities may arise for Utilico to co-invest alongside companies associated with, or managed by, Ingot (or its associates). Utilico (and other clients of Ingot) 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 Ingot (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, Ingot (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 have the same investment and portfolio methodology. In light of this, Utilico Emerging Markets Limited has to date employed certain Utilico Investment Trust employees. Such employees will become employees of Utilico but will in addition continue to be employed by Utilico Emerging Markets Limited. It is currently envisaged that the services provided by these employees (including Charles Jillings who prior to implementation of the Scheme was an executive director of Utilico Investment Trust) will relate to analysis of potential investments, the provision of information to the Investment Manager and the placing and execution of trades once authorised by the Investment Manager.

### ***Investment allocation***

As Ingot will be providing investment advice to both Utilico and Utilico Emerging Markets Limited (among other clients) a clear investment allocation policy will be put in place between Utilico and Utilico Emerging Markets Limited, with the intention of providing transparency for shareholders in each company.

The following investment allocation policy will be followed:

- all investments 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 Ingot 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 Ingot'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 Ingot 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).

## **6 Dividend policy**

The Directors anticipate distributing the majority of net revenue arising from normal income streams (such as dividends) less normal costs (such as management fees).

## **7 Borrowings and borrowing policy**

Under the Utilico Bye-laws, the Board is obliged to restrict Utilico's borrowings to an aggregate amount equal to 100 per cent. of the Gross Assets. Leverage on the Utilico Shares will be increased by the Group's issue of the Utilico Finance ZDP Shares.



It is intended that Utilico Investment Trust's existing £45 million RBS Loan Facility will be novated to Utilico conditional on the Scheme proceeding. The NZ\$30 million ANZ Loan Facility provided to Utilico NZ Limited will remain in place and Utilico NZ Limited will become a subsidiary of Utilico upon implementation of the Scheme.

The RBS Loan Facility has been drawn down in sterling, US dollars, Euros and Swiss Francs. Borrowings under the loan currently bear interest at a blended rate of 4.4 per cent. per annum.

Further details of the RBS Loan Facility and ANZ Loan Facility are set out in paragraphs 7.7 and 7.8 of Part 6 of this document.

It is the intention of the Directors to seek to restore the gearing on the Utilico Shares to a one to one ratio and the issue of the Utilico Finance ZDP Shares represents the first step in this process. The Directors will consider increasing other debt facilities as appropriate in the future.

## **8 Financial impact of the Proposals and the Placing and Offer**

By way of illustration only, had the Scheme become effective and the Placing and Offer had taken place at the date of this document, the Group's Gross Assets would have been increased by the unaudited Gross Assets of Utilico Investment Trust of £372.1 million (as at 30 April 2007, the latest practicable date prior to the publication of this document) and the estimated gross proceeds of the Placing and Offer of £75 million, adjusted for all expenses in relation to the Proposals and the Placing and Offer estimated to be approximately £2.5 million, resulting in the Group having unaudited Gross Assets of £444.6 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.

## **9 Capital structure**

### ***Introduction***

#### *Utilico*

Utilico's share capital will comprise Utilico Shares. It will also issue Utilico Warrants to subscribe for Utilico Shares as described in further detail below. Applications will be made for the Utilico Shares and Utilico Warrants to be admitted to the Official List of the UK Listing Authority and to be traded on the main market of the London Stock Exchange.

Under the terms of the Scheme each Utilico Investment Trust Ordinary Shareholder will receive one Utilico Share for every Utilico Investment Trust Ordinary Share held on the Record Date.

#### *Characteristics of the Utilico Shares*

- *Dividends*

Utilico Shareholders will be entitled to all the net income of Utilico to be distributed.

- *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 Utilico Finance 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 6 of this document.

#### ***Utilico Finance***

Utilico Finance's share capital will comprise of ordinary shares held by Utilico and three classes of zero dividend preference shares.

Utilico is seeking to restore gearing by the issue of Utilico Finance ZDP Shares. Utilico has determined to offer two new classes of zero dividend preference shares thus totalling three classes. The purpose of establishing three classes of Utilico Finance ZDP Shares is threefold. First, by balancing the Utilico Finance ZDP Shares over three redemption dates the disruption to the portfolio will be reduced at their respective maturity. Second, the extension of the Utilico Finance ZDP Shares' maturity will improve Utilico's liability profile enabling it to match its long-term investment strategy with long-term liabilities. Third, the Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares to be issued pursuant to the Placing and Offer will allow investors to better balance their needs as they will be able to invest in different classes of Utilico Finance ZDP Shares with differing redemption dates.

Under the terms of the Scheme each Utilico Investment Trust ZDP Shareholder will receive one Utilico Finance 2012 ZDP Share for every Utilico Investment Trust ZDP Share held on the Record Date. Utilico Finance's 2012 ZDP Shares will bear the same rights and bear the same gross redemption yield as the Utilico Investment Trust ZDP Shares and will be redeemed on 31 October 2012 (which mirrors the redemption date of the Utilico Investment Trust ZDP Shares).

In addition, Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 Shares will be made available under the Placing and Offer. These shares will bear the same rights as the Utilico Finance 2012 ZDP Shares but have a different redemption date as follows:

- Utilico Finance 2014 ZDP Shares will have a redemption date of 31 October 2014; and
- Utilico Finance 2016 ZDP Shares will have a redemption date of 31 October 2016.

Pursuant to the Placing and Offer, the new Utilico Finance ZDP Shares may be acquired at an offer price of £2.00 per package of one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share, which equates to a 7.25 per cent. per annum gross redemption yield, based on the Assumptions.

For further information, please see the paragraph headed "Placing and Offer for Subscription" below.

#### *Characteristics of the Utilico Finance ZDP Shares*

The Utilico Finance ZDP Shares are designed to provide a predetermined final capital entitlement which ranks behind all other liabilities of the Group and other creditors of the Group, but in priority to the Utilico Shares save in respect of the Utilico Shareholders' entitlement to the Winding-Up Revenue Profits.

- *Dividends*

Utilico Finance ZDP Shares will carry no entitlement to income and the whole of any return will therefore take the form of capital.

- *Capital entitlement*

The Utilico Finance ZDP Shares will not pay dividends but they will have a final capital entitlement at the end of their respective lives as follows:

- based on the initial entitlement of a Utilico Investment Trust ZDP Share of 100p on 7 May 2004, a Utilico Finance 2012 ZDP Share will have a final capital entitlement at the end of its life on 31 October 2012 of 177.52p, equating to a 7 per cent. per annum gross redemption yield;
- based on the initial entitlement of a Utilico Finance 2014 ZDP Share of 100p on 15 June 2007, a Utilico Finance 2014 ZDP Share will have a final capital entitlement at the end of its life on 31 October 2014 of 167.60p, equating to a 7.25 per cent. per annum gross redemption yield; and
- based on the initial entitlement of a Utilico Finance 2016 ZDP Share of 100p on 15 June 2007, a Utilico Finance 2016 ZDP Share will have a final capital entitlement at the end of its life on 31 October 2016 of 192.78p, equating to a 7.25 per cent. per annum gross redemption yield.

Utilico will therefore be free to pursue long-term capital appreciation without the constraint of funding an annual dividend payment to the holders of Utilico Finance ZDP Shares.

Investors should note that the predetermined capital entitlement of the Utilico Finance ZDP Shares is not guaranteed and is dependent upon Utilico being able to satisfy its funding obligations under the Subscription Agreement.

By way of illustration:

- (i) based on Utilico's Estimated Initial Gross Assets and the other Assumptions, the final capital entitlement of the Utilico Finance 2012 ZDP Shares would have ZDP Cover of approximately 3.26 times as at Admission. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 69.3 per cent., or by more than 19.8 per cent. per annum, during the period from 20 June 2007 (the anticipated date of Admission) to the Utilico Finance 2012 ZDP repayment date, this would result in a final capital entitlement per Utilico Finance 2012 ZDP Share of less than the 177.52p entitlement per Utilico Finance 2012 ZDP Share due on the Utilico Finance 2012 ZDP repayment date. A fall in Utilico's Gross Assets of 87.5 per cent. or by more than 32.1 per cent. per annum during this period and based on the Assumptions, this would result in no payment being made to the Utilico Finance 2012 ZDP Shareholders;
- (ii) based on Utilico's Estimated Initial Gross Assets and the other Assumptions, the final capital entitlement of the Utilico Finance 2014 ZDP Shares would have ZDP Cover of approximately 2.23 times as at Admission. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 55.2 per cent., or by more than 10.3 per cent. per annum, during the period from 20 June 2007 (the anticipated date of Admission) to the Utilico Finance 2014 ZDP repayment date, this would result in a final capital entitlement per Utilico Finance 2014 ZDP Share of less than the 167.60p entitlement per Utilico Finance 2014 ZDP Share due on the Utilico Finance 2014 ZDP repayment date. A fall in Utilico's Gross Assets of 69.3 per cent. or by more than 14.8 per cent. per annum during this period and based on the Assumptions, this would result in no payment being made to the Utilico Finance 2014 ZDP Shareholders; and
- (iii) based on Utilico's Estimated Initial Gross Assets and the other Assumptions, the final capital entitlement of the Utilico Finance 2016 ZDP Shares would have ZDP Cover of approximately 1.63 times as at Admission. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 38.9 per cent., or by more than 5.1 per cent. per annum, during the period from 20 June 2007 (the anticipated date of Admission) to the Utilico Finance 2016 ZDP repayment date, this would result in a final capital entitlement per Utilico Finance 2016 ZDP Share of less than the 192.78p entitlement per Utilico Finance 2016 ZDP Share due on the Utilico Finance 2016 ZDP repayment date. A fall in Utilico's Gross Assets of 55.2 per cent. or by more than 8.2 per cent. per annum during this period and based on the Assumptions, this would result in no payment being made to the Utilico Finance 2016 ZDP Shareholders.

- *Voting rights*

The Utilico Finance ZDP Shares will not carry any voting rights at general meetings of Utilico. However, Utilico will not be able to carry out certain corporate actions unless it obtains the sanction of the holders of the Utilico Finance ZDP Shares by the passing of a special resolution at a meeting of the Utilico Finance ZDP Shareholders with the Utilico Finance ZDP Shares treated as a single class for these purposes. Separate approval of each class of Utilico Finance ZDP Shareholders must be obtained in respect of any proposals which would affect their respective rights, including any resolution to wind up Utilico, a resolution to approve the reconstruction of Utilico and a resolution to approve a takeover of Utilico. The approval of Utilico Finance ZDP Shareholders by the passing of a special resolution at separate class meetings is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of Utilico Finance ZDP Shares and in relation to any proposal by Utilico Finance which would reduce the cover of the existing Utilico Finance ZDP Shares below 1.5 times.

- *Liquidation*

If any class of Utilico Finance ZDP Shares are not redeemed in full on or before their respective repayment dates, under the terms of the Subscription Agreement, the Utilico Directors shall convene a special general meeting at which a liquidation resolution will be put to wind-up Utilico.

At any such meeting, Utilico Finance will be entitled to vote on the resolution to wind-up Utilico in respect of its holding of one Utilico Share. The vote on the liquidation resolution shall be taken by a poll and the number of votes which are cast by Utilico Finance in favour of the resolution to wind-up Utilico shall be equal to four times the aggregate number of votes cast against the resolution, thereby ensuring that Utilico will be placed into voluntary liquidation.

On a liquidation of Utilico and/or Utilico Finance, to the extent that the relevant classes of Utilico Finance ZDP Shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their accrued capital entitlement as at the date of liquidation:

- the Utilico Finance 2012 ZDP Shares shall rank in priority to the Utilico Finance 2014 ZDP Shares and the Utilico Finance 2016 ZDP Shares; and
- the Utilico Finance 2014 ZDP Shares shall rank in priority to the Utilico Finance 2016 ZDP Shares.

The entitlement of Utilico Finance ZDP Shareholders of a particular class shall be determined in proportion to their holdings of Utilico Finance ZDP Shares of that class. Further details of the rights attaching to the Utilico Finance ZDP Shares are set out in paragraph 6 of Part 6 of this document.

### ***Warrants***

#### *Warrants issued under the Scheme*

Under the terms of the Scheme, 64 Utilico 2008 Warrants will be issued for every 100 Utilico Investment Trust Warrants (or a proportionate number thereof in respect of lesser holdings although no fractions of warrants will be issued) held by a Utilico Investment Trust Warrantholder on the Record Date and such warrant will entitle the holder thereof to subscribe for one Utilico Share at an exercise price of 64.2 pence per Utilico Share.

The Utilico 2008 Warrants will be exercisable during the months of October 2007 and April 2008. A reminder notice will be sent to Utilico 2008 Warrantholders not earlier than 56 days nor later than 28 days before each subscription date, reminding them of their subscription rights.

#### *Bonus Issue of Utilico 2012 Warrants*

Following implementation of the Proposals, Utilico Shareholders and Utilico 2008 Warrantholders will receive in aggregate up to 3.62 million Utilico 2012 Warrants by way of a bonus issue, such warrants to be issued in proportion to the Utilico Investment Trust Ordinary Shareholders' holding of Utilico Investment Trust Ordinary Shares and Utilico Investment Trust Warrantholders' holding of Utilico Investment Trust Warrants as adjusted to reflect their entitlements to subscribe for 0.64 of a Utilico Investment Trust Ordinary Share as at the Bonus Issue Record Date. The Utilico 2012 Warrants to be issued to Utilico Shareholders and Utilico 2008 Warrantholders will entitle the subscriber to subscribe for one Utilico Share at an exercise price equal to the latest Net Asset Value per Utilico Investment Trust Ordinary Share on a diluted basis, as announced through a Regulatory Information Service prior to the Effective Date and adjusted for the costs and expenses of the Issues and the Placing and Offer which are to be borne by Utilico, rounded up to the nearest five pence. The Bonus Issue will result in Utilico having a ratio of one Warrant for every five Utilico Shares in issue at Admission.

The exact number of Utilico 2012 Warrants available under the Bonus Issue will not be known until the number of Utilico Investment Trust Ordinary Shares to be issued upon the conversion of the CULS is determined.

The Utilico 2012 Warrants will be exercisable during the months of October and April until 2012 (inclusive) commencing on 31 October 2007 and with 30 April 2012 being the last exercise date. A reminder notice will be sent to Utilico 2012 Warrantholders not earlier than 56 days nor later than 28 days before each subscription date, reminding them of their subscription rights.

Applications will be made for the Utilico Warrants to be issued in connection with the Scheme and Bonus Issue to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities.

Further details of the terms and conditions of the Utilico Warrants are set out in Parts 3 and 4 of this document.

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

Utilico and Utilico Finance have both been granted the authority to make market purchases of up to 14.99 per cent. of their Shares respectively following the implementation of the Proposals.

The Directors will consider repurchasing Utilico Shares and Utilico Finance ZDP Shares in the market if they believe it to be in Shareholders' interests, in particular as a means of correcting any imbalance between supply of and demand for the Utilico Shares and Utilico Finance ZDP Shares. Any purchase of Utilico Shares and Utilico Finance ZDP Shares will be in accordance with Utilico's and Utilico Finance's Bye-laws and the Listing Rules in force at the time.

The decision as to whether Utilico or Utilico Finance purchases any such shares will be at the discretion of the Directors. Purchases of Utilico Shares and Utilico Finance ZDP Shares will be made within the maximum price permitted by the UK Listing Authority and in accordance with the Bermuda Companies Act, and in any event:

- no purchase of Utilico Shares will be made at a price in excess of the Net Asset Value per Utilico Share on a diluted basis (as determined by the Utilico Directors on a date falling not more than 10 days before the date of purchase); and
- no purchase of Utilico Finance ZDP Shares will be made at a price in excess of 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 Utilico Finance ZDP Shareholders.

In addition, no Utilico Shares will be purchased at a price such that, immediately following such purchase and on the basis of Utilico's Net Asset Value (as determined by the Directors on a date falling not more than 10 days before the date of purchase), the ZDP Cover on any class of Utilico Finance ZDP Shares (on that date as determined by the Directors and taking into account any related purchase of Utilico Finance ZDP Shares) would be less than 1.4 times.

The Board will endeavour to make any purchases of Utilico Shares and Utilico Finance 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.

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, the Group's share capital purchased pursuant to share buy-backs may be held in treasury. This will give the Group the ability to sell Shares from treasury quickly and in a cost efficient manner, and would provide the Group with additional flexibility in the management of its capital base.

However, unless authorised by Utilico Shareholders, Utilico will not issue Utilico Shares out of treasury for cash at a price below the prevailing Net Asset Value per Utilico Share unless they are first offered pro rata to existing Utilico Shareholders.

However unless authorised by Utilico Finance ZDP Shareholders, Utilico Finance will not issue Utilico Finance ZDP Shares out of treasury for cash at a price below their accrued capital entitlement unless they are first offered pro rata to existing Utilico Finance ZDP Shareholders.

Under the terms of the respective Warrant Instruments, Utilico has the ability to buy back Warrants in the market to ensure compliance with the Listing Rules. As a result, Utilico Shares and Utilico Warrants will be bought-back at the same time so as to ensure that the number of Warrants in issue at any time does not exceed 20 per cent. of the issued equity share capital of Utilico. Any Warrants so purchased will be cancelled and shall not be available for re-issue or resale.

### ***Further issues***

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

Utilico's and Utilico Finance's authorised share capital will be such that further issues of Shares and/or Warrants can be made. There will be no pre-emption rights for existing Utilico Shareholders or Utilico Finance Shareholders. No Utilico Shares will be issued at a price less than the Net Asset Value per Utilico Share on a diluted basis and no Utilico Finance ZDP Shares will be issued at a price less than the accrued capital entitlement at the time of issue of the Utilico Finance ZDP Shares to be issued or at a price which has the effect of reducing the ZDP Cover of any class of Utilico Finance ZDP Shares, at or around the time of the issue of such additional Utilico Finance ZDP Shares, to below 1.5 times without the approval of the relevant class of Utilico Finance ZDP Shareholders by special resolution.

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

As Utilico is intended as a long-term investment vehicle, it will 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 Utilico Finance ZDP Shares.

## **11 Formation and initial expenses**

The formation and initial expenses of the Group incurred in connection with the Issues and the Placing and Offer are estimated to be approximately £1.8 million (including UK stamp duty on the assets transferred to the Group pursuant to the Scheme estimated to amount to £0.5 million and placing commissions of £0.8 million).

### ***Investment Manager's fees***

#### *Management fee*

The Investment Manager will receive a management fee equal to 0.5 per cent. per annum of the Gross Assets (as valued on a basis approved by the Board), payable by Utilico semi-annually in arrears (plus any applicable GST) pursuant to the Investment Management Agreement. The Investment Manager is also reimbursed its out of pocket expenses.

#### *Performance fee*

Utilico will pay to the Investment Manager a performance fee determined as at each Calculation Date as follows:

$$PF = (A-B) \times 15\%$$

where:

PF is the performance fee, if any, payable to the Investment Manager;

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 on the last day of the calculation period in respect of which a performance fee was last paid by Utilico Investment Trust under the Investment Advisory Agreement less an amount equal to the professional fees and expenses incurred by Utilico Investment Trust and Utilico in connection with the Scheme ("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 Investment 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 Performance Fee (i) in respect of the first Calculation Period, will be approved by the Board and become payable by no later than 15 September 2007 and (ii) in respect of all Calculation Periods thereafter, 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 Ingot’s appointment or the commencement of the winding up of the Company where (ii) or (iii) in the definition of Calculation Period applies.

For the purpose of this calculation:

“**Adjusted Equity Funds**” means Equity Funds adjusted by adding back any dividends paid or accrued relating to the relevant 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 Ingot’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 2006;

“**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 Utilico Finance ZDP Shares, the proceeds of which shall be advanced by Utilico Finance to Utilico). For the avoidance of doubt, the bonus issue of Warrants, the Conversion of CULS, and buy backs of Shares are Capital Events;

“**Equity Funds**” means the Net Asset Value (including revenue items) attributable to Utilico Shares (except in relation to the first calculation under the Investment Management Agreement in respect of which the Opening Equity Funds will be determined by reference to the Equity Funds of Utilico Investment Trust on the last day of the calculation period in respect of which a performance fee was last paid by Utilico Investment Trust under the Investment Advisory Agreement, as adjusted for any subsequent Capital Event and less any professional fees and expenses incurred by Utilico Investment Trust and Utilico in connection with the Scheme);

“**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;

“**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 Government Securities UK Gilts 5 to 10 Years Index.

The first performance fee payable under the Investment Management Agreement shall take into account the performance of Utilico Investment Trust from 1 July 2006 until the Effective Date and the opening equity funds used to calculate whether or not a performance fee is payable will equal

the Equity Funds of Utilico Investment Trust on 30 June 2006 (being the end of the last calculation period in respect of which a performance fee was paid by Utilico Investment Trust under the Investment Advisory Agreement).

A summary of the main provisions of the Investment Management Agreement is set out in paragraph 7.2 of Part 6 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 6 months' notice in writing by either party.

Under the terms of the Administration Agreement, the Administrator and Secretary is entitled to a fee of £320,000 per annum. This fee will be reviewed 12 months' after the date of the Administration Agreement. The Administrator and Secretary and any of its delegates will also be entitled to reimbursement of certain expenses incurred by it in connection with its duties and a one-off set-up fee of £15,000.

A summary of the main provisions of the Administration Agreement is set out in paragraph 7.3 of Part 6 of this document.

#### ***Custody***

JPMorgan Chase Bank N.A. ("JPMorgan") will act as custodian to the Group's assets and, in that capacity, will be 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 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 6 of this document.

#### ***Registration Services***

Computershare Investor Services (Channel Islands) Limited ("Computershare CI") has been appointed as branch registrar to maintain in Jersey a branch copy of the register of Shareholders and Warranholders. Each of Utilico and Utilico Finance has entered into a Registrar Agreement with Computershare CI which may be terminated, *inter alia*, on 6 months' notice by either party. In return for providing such services Computershare CI is entitled to a fee of £5,000 per annum plus reimbursement of certain expenses incurred by Computershare CI in connection with its duties from each of Utilico and Utilico Finance.

A summary of the main provisions of the Registrar Agreements are set out in paragraph 7.5 of Part 6 of this document.

#### ***Depositary and Custody Services***

Computershare Investor Services PLC has been appointed as Depositary for the settlement of Depositary Interests. Each of Utilico and Utilico Finance has entered into a Depositary and Custody Services Agreement with Computershare Investor Services PLC which, following an initial term of one year, may be terminated, *inter alia*, on 6 months' notice by either party. In return for providing such services Computershare Investor Services PLC is entitled to an annual fee of £7,000 from each of Utilico and Utilico Finance.

A summary of the main provisions of the Depositary and Custody Services Agreements are set out in paragraph 7.6 of Part 6 of this document.

#### ***Directors***

Each of the Directors is entitled to receive a fee from Utilico at such a rate as may be determined in accordance with the Utilico Bye-laws. The initial fees will be paid quarterly at a rate of £22,000 for each Director per annum, with the Chairman's initial fee being at the rate of £35,000 per annum. In addition,



Eric Stobart shall receive an initial fee paid quarterly at the rate of £5,000 per annum for his chairmanship of the audit committee of the Utilico Board. The Directors will also be entitled to be reimbursed for reasonable costs and expenses incurred in attending board meetings.

## **12 Financial reporting and information**

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

The Net Asset Value and the Net Asset Value per Utilico Share will be calculated (and rounded to two decimal places), in pounds sterling by the Administrator and Secretary (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 will be announced through a Regulatory Information Service without delay upon its calculation.

The Net Asset Value will be 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 Utilico Directors from time to time.

In calculating the Net Asset Value, a liability will be included equating to the amount due to Utilico Finance ZDP Shareholders at the calculation date each week. Announcements as to the Net Asset Value per Utilico Share will include the Net Asset Value per Utilico Finance ZDP Share.

Under current valuation guidelines adopted by the Utilico 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 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 Utilico 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 Utilico 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 Utilico’s auditors. The Utilico Directors may delegate to the Investment 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 investments of Utilico 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 will be prepared in sterling under International Financial Reporting Standards, which the Utilico Directors believe is an acceptable body of generally accepted accounting practice. Under International Financial Reporting Standards, the Group will prepare an income statement and a statement of changes in equity, which will disclose 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 related 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 Utilico'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 will be made up to 30 June in each year starting in 2008, with copies of the annual report and accounts expected to be sent to Shareholders and Warrantholders in September. It is intended that the annual general meetings of Utilico and Utilico Finance will be held in October of each year, the first to be held in October 2008. Shareholders and Warrantholders will also receive an unaudited consolidated interim report covering the first six months of each financial year to 31 December. The interim report is expected to be sent to Shareholders and Warrantholders in February of each year.

### **13 Meetings**

It is intended that all general meetings of Utilico and Utilico Finance will be held in Bermuda, the United States of America or France. Utilico and Utilico Finance will hold an annual general meeting each year. Utilico Shareholders and Utilico Finance ZDP Shareholders are entitled to attend and vote at all of their respective general meetings. Utilico Finance ZDP Shares will not carry any voting rights at general meetings of Utilico.

### **14 Corporate Governance**

Utilico intends to comply with the corporate governance regime in the UK, currently the Combined Code on Corporate Governance and the AIC Code of corporate governance.

The Utilico Board has constituted the following committees:

- an audit committee chaired by Eric Stobart. The committee will meet at least twice a year and will, *inter alia*, review the financial reporting process and the system of internal control and management of financial risks (including understanding the current areas of greatest financial risk and how these are managed by the Investment Manager, reviewing annual financial statements, assessing the fairness of preliminary and interim statements and disclosures and reviewing the external audit process). A "whistle blowing" policy has been put into place for the Group's employees, 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; and
- a management engagement committee chaired by Eric Stobart. The committee will meet at least once a year and will, *inter alia*, review the performance of, and fee paid to, the Investment Manager for the services provided under the Investment Management Agreement, together with the other terms of that agreement. It also reviews the performance of the Administrator.

Remuneration of the Directors will be determined by the Board. The remuneration of the Chairman and Directors will be reviewed against the fees paid to directors of other specialist investment companies and investment companies of a comparable size, as well as taking account of any data published by the AIC.

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, with only five Directors operates without a nomination committee. The Directors will regularly review the structure of the Board, including the balance of expertise and skills brought by individual Directors and recognise the value of progressive refreshing of, and succession planning for, company boards.

## 15 Conditions of the Issues and the Placing and Offer

The Scheme (and accordingly the Issues) and the Placing and Offer are conditional, *inter alia*, on the passing of the resolutions to be proposed at extraordinary general meetings of Utilico Investment Trust to be held on 11 June 2007 and on 19 June 2007, and on the Utilico Shares, Utilico 2008 Warrants, Utilico 2012 Warrants and Utilico Finance ZDP Shares being admitted to listing on the Official List by the UK Listing Authority and to trading on the main market of the London Stock Exchange. The Issues and the Placing and Offer will not proceed if the Scheme does not become effective.

## 16 Placing and Offer for Subscription

Up to 75 million Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares (in aggregate) are available under the Placing and Offer (the “**Placing and Offer Shares**”). The Placing and Offer Shares will be available only as a packaged unit, comprising one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share i.e. investors will receive an equal number of Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares in respect of their application.

The Placing and Offer is conditional, *inter alia*, upon:

1. the Scheme becoming unconditional and implemented in accordance with its terms;
2. Admission of the Placing and Offer Shares in respect of which applications and commitments are received; and
3. the Placing and Offer Agreement becoming unconditional and not being terminated in accordance with its terms at any time prior to Admission.

Under the Placing and Offer Agreement, Arbuthnot Securities has agreed to use its reasonable endeavours to procure places under the Placing and make an offer for up to 75 million Placing and Offer Shares. Placing and Offer Shares are being made available under the Placing and pursuant to the Offer for Subscription at £2.00 per package unit of one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share which equates to a 7.25 per cent. per annum gross redemption yield, based on the Assumptions. The Placing and Offer Agreement is conditional, *inter alia*, on Admission having occurred no later than 30 June 2007. Commitments under the Placing should be received as soon as possible and in any event by no later than 11.00 a.m. on 8 June 2007.

The Offer is expected to close at 11.00 a.m. on 8 June 2007. Applications under the Offer must be for a minimum of £1,000 and thereafter in multiples of £1,000.

**Completed Application Forms accompanied by a cheque or banker’s draft in relation to the Offer must be posted to Computershare Investor Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ or delivered by hand (during normal business hours) to Computershare Investor Services PLC, 2nd Floor, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ so as to be received by 11 a.m. on 8 June 2007.**

Further details of the Placing and Offer Agreement are set out in paragraph 7.11 of Part 6 of this document.

If Admission does not take place, the Placing and Offer Shares shall not be issued and application monies received under the Offer will be returned without interest to the applicants by cheque sent through the ordinary post at the risk of the applicant.

In the event that commitments under the Placing and valid applications under the Offer exceed 75 million Placing and Offer Shares, the basis for the allocation will be entirely at the discretion of Arbuthnot Securities, in consultation with Utilico Finance.

Part 8 of this document headed “Terms and Conditions of the Offer” sets out further details of the Offer.

## 17 Use of proceeds

The gross proceeds of the Placing and Offer, expected to be up to £75 million, will be used by Utilico to acquire a diversified portfolio of infrastructure, utility and related companies in accordance with its investment policy as described in paragraph 3 of this Part 1.

## 18 Overseas investors

The attention of persons resident outside the UK is drawn to paragraph 8 of Part 6 of this document, which contains restrictions on the holding of Shares and Warrants by such persons.

## 19 Settlement, dealings and CREST

Applications will be made for the Shares and Warrants issued and to be issued in connection with the Proposals and the Placing and Offer to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission of the Shares and Utilico 2008 Warrants will become effective, and that dealings therein will commence, on 20 June 2007. It is expected that Admission of the Utilico 2012 Warrants will become effective, and that dealings therein will commence, as soon as practicable after 20 June 2007.

The Shares and Warrants will be issued in registered form and may be held either in certificated form or 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 Shares and/or Warrants through CREST, the Depositary has been appointed to hold the relevant foreign securities and issue dematerialised depositary interests representing the underlying Shares and Warrants.

The Depositary will hold the Shares and Warrants on trust for the respective underlying holders under separate arrangements for each of Utilico and Utilico Finance. This trust relationship will be documented in deeds executed by the Depositary in respect of Utilico and Utilico Finance. The deeds also set out the procedure for Depositary Interest holders to vote at general meetings of Utilico and Utilico Finance and to exercise other procedural rights, which will be transferred to the Depositary with the Shares and Warrants.

The Depositary Interests will be independent, English securities and will be held on a register maintained by the Registrar. There will be separate registers maintained for Utilico and Utilico Finance. The Depositary Interests will have the same security code as the Shares or Warrants they represent and will not require a separate admission to the London Stock Exchange.

Shareholders and Warranholders wishing to settle their Shares and/or Warrants through CREST can transfer their holding to the Depositary, which will then issue Depositary Interests representing the transferred Shares or Warrants. The Depositary Interest holder will not hold a certificate evidencing the underlying Share or Warrant. Depositary Interests will be issued on a one for one basis against the Shares or Warrants 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 Shares or Warrants.

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

Application will be made by the Depositary for Depositary Interests to be admitted to CREST on Admission.

**Investors should be aware that Shares and Warrants delivered in certificated form are likely to incur, on an ongoing basis, higher dealing costs than those Shares and Warrants held through CREST.** Shares initially issued in certificated form may subsequently be deposited into CREST in accordance with normal CREST procedures. Certificates in respect of Shares and Warrants issued in certificated form are expected to be despatched by 27 June 2007.

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

## **20 Taxation**

It is intended that Utilico and Utilico Finance will be managed in such a way as to ensure that they are only resident in Bermuda for tax purposes. Potential investors are referred to Part 5 of this document for details of the taxation of Utilico, Utilico Finance and of certain Shareholders and Warrantheholders.

**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, Warrantheholder or investor. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Shares or Warrants, they should seek advice from their own professional advisers.**

## **21 ISAs and PEPs**

Insofar as is possible, the Directors intend to manage the affairs of the Group so that the Shares will be qualifying investments for the purposes of ISAs and PEPs. Accordingly, the Utilico Shares and Utilico Finance ZDP Shares will be eligible for inclusion in the stocks and shares components of an ISA and/or within a PEP, subject to applicable subscription limits, and provided that the ISA or PEP manager has been issued the Utilico Shares or Utilico Finance ZDP Shares under the Scheme or acquired them through the secondary market following Admission. Utilico Finance ZDP Shares which are acquired pursuant to the Placing will not be eligible for inclusion in an ISA or PEP although Utilico Finance ZDP Shares acquired through the Offer will be eligible.

Utilico Warrants will not be eligible for inclusion in an ISA or PEP.

## **22 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".

## **23 Further Information**

The attention of investors is drawn to the information contained in Parts 2 to 6 of this document which provide additional information on the Group.

## PART 2

### UTILICO INVESTMENT TRUST'S INVESTMENT PORTFOLIO

The following table provides unaudited summary details of the ten largest investments of Utilico Investment Trust's portfolio as at 30 April 2007 (being the latest practicable date prior to the publication of this document).

<i>Company</i>	<i>Market value (£)</i>	<i>Percentage of gross assets</i>
Infratil Limited (including Utilico NZ Limited*) <sup>1</sup>	90,797,883	24.1%
Utilico Emerging Markets Limited (including UEM Holdings Limited**) <sup>2</sup>	67,567,386	17.9%
Ecofin Water & Power Opportunities plc <sup>3</sup>	39,576,280	10.5%
Unique Flughafen Zurich AG <sup>4</sup>	28,323,917	7.5%
ERG Limited <sup>5</sup>	18,111,719	4.8%
Jersey Electricity Company Limited <sup>6</sup>	14,127,590	3.7%
Keytech Limited <sup>7</sup>	13,831,767	3.7%
Renewable Energy Gen <sup>8</sup>	12,322,500	3.3%
Flughafen Wien AG <sup>9</sup>	9,507,659	2.5%
Belco Holdings Limited <sup>10</sup>	8,756,136	2.3%

\* 100 per cent. owned subsidiary holding Infratil Limited ordinary shares

\*\* 100 per cent. owned subsidiary holding Utilico Emerging Markets Limited ordinary shares

Source: F&C Management Limited

- 1 Infratil Limited is an investment holding company incorporated in New Zealand (registered address 97 The Terrace, Wellington, New Zealand) and listed on the New Zealand Stock Exchange (NZSX) market, specialising in electricity, airports, transport and the renewable energy sector. Its main holdings are TrustPower (a New Zealand electricity company), Wellington International Airport and Infratil Airports Europe Limited (Kent International, Glasgow Prestwick and Lubeck Airports in Europe).
- 2 Utilico Emerging Markets Limited is an investment company specialising in utility and infrastructure companies in Emerging Markets. Its 3 largest holdings as at 30 April 2007 were Companhia de Concessões Rodoviárias ("CCR") (a toll road operator in Latin America), Ocean Wilson Holdings Limited (a port and shipping service provider in Brazil) and Datang International Power Generation Co. Ltd (a power generation company in China).
- 3 Ecofin Water & Power Opportunities plc is a split capital listed investment trust mainly investing in the water, electricity and gas sectors within the developed markets of the UK, Europe and the United States.
- 4 Unique Flughafen Zurich AG operates Zurich Airport in Switzerland.
- 5 ERG Limited is an Australian company supplying municipal transport authorities with smart card based ticketing systems. Cities that have already installed ERG's technology include Hong Kong, Singapore and Rome.
- 6 Jersey Electricity Company Limited is the electricity company serving the island of Jersey.
- 7 Keytech Limited is a Bermudan telecommunications holding company. Its subsidiaries provide local fixed line, mobile, internet and IT services in Bermuda.
- 8 Renewable Energy Generation Limited is a developer, owner and operator of windfarms in the UK.
- 9 Flughafen Wien AG operates Vienna Airport in Austria, providing terminal services, ground handling and leasing.
- 10 Belco Holdings Limited is the integrated electricity company generating, distributing and supplying electricity on the island of Bermuda.

The following table shows the geographical weighting of Utilico Investment Trust's portfolio as at 30 April 2007 (being the latest practicable date prior to the publication of this document):

<i>Geographical area</i>	<i>Percentage of total portfolio</i>
Europe (excluding UK)	29.7
Australasia	27.4
UK	14.7
North America	10.8
Latin America	6.9
Asia & Far East	10.1
Other	0.4

Source: F&C Management Limited

The following table shows the sectoral distribution of Utilico Investment Trust's portfolio as at 30 April 2007 (being the latest practicable date prior to the publication of this document):

<i>Sector</i>	<i>Percentage of total portfolio</i>
Electricity	38.5
Airports	19.6
Telecoms	11.6
Road/Rail	10.2
Other	8.9
Water	6.5
Ports	2.3
Gas	2.2

Source: F&C Management Limited

**Existing and prospective investors should note that Utilico Investment Trust's existing investment portfolio and the proportions of the portfolio held in each stock will not necessarily be the same as that which is transferred to the Group pursuant to the Scheme.**

## PART 3

### TERMS AND CONDITIONS OF UTILICO 2008 WARRANTS

The Utilico 2008 Warrants are constituted by, and will be issued subject to and with the benefit of, a Deed Poll of Utilico dated the date of this document (the “Utilico 2008 Warrant Instrument”). Holders of Utilico 2008 Warrants will be bound by all the terms and conditions set out in the Utilico 2008 Warrant Instrument.

#### 1 Definitions and interpretation

In the Utilico 2008 Warrant Instrument the following expressions have the following meanings, except where the context otherwise requires:

“Auditors”	the auditors for the time being of Utilico
“Bye-laws”	the bye-laws of Utilico as altered from time to time
“Directors”	the directors for the time being of Utilico
“holder”	the registered holder for the time being of Utilico Warrants
“Prospectus”	the prospectus relating to Utilico and Utilico Finance dated 14 May 2007
“Registrars”	the registrars for the time being of Utilico
“special resolution”	a resolution passed at a meeting of the holders of the Utilico Warrants duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll
“subscription date”	31 October 2007 (or, if such day is not a business day, the next following business day) and 30 April 2008 (or, if such day is not a business day, the next following business day) or, if later, on the thirtieth day after the date on which copies of the interim accounts of Utilico for the interim period ending 31 December 2007 are despatched to shareholders
“subscription price”	the price of 64.2p per Utilico Share at which the subscription rights are exercisable on each subscription date, or such adjusted price as may be determined from time to time in accordance with the provisions described in paragraph 3 below
“subscription rights”	the rights to subscribe for Utilico Shares specified in paragraph 2(a) below
“Utilico Shares”	the ordinary shares of 10p each (or of such other nominal amount as may be adjusted as described in paragraph 3 below) in the capital of Utilico
“Utilico Warrant” or “Warrant”	a warrant to subscribe for Utilico Shares.

If Utilico changes its accounting reference date from 30 June, the references to 31 October and 30 April in the Utilico 2008 Warrant Instrument shall be changed to the date falling four months after the new accounting reference date and interim date, as appropriate.



## 2 Subscription rights

- (a) A holder of Warrants shall have rights (“subscription rights”) to subscribe in cash on each subscription date for all or any of the Utilico Shares for which he is entitled to subscribe under such Warrants of which he is the holder at the price per Utilico Share of 64.2p payable in full on subscription, subject to adjustment as provided in paragraph 3 below. The number of Utilico Shares to which each Warrant relates is (prior to any adjustment as provided in paragraph 3 below) one Utilico Share. The subscription price, the number of Warrants outstanding and the number and/or nominal value of the Utilico Shares to be subscribed upon exercise of the Warrants shall be subject to adjustment as provided in paragraph 3 below. The Warrants registered in a holder’s name will be evidenced by a Warrant certificate issued by Utilico.
- (b) In order to exercise the subscription rights, in whole or in part, the holder of a Warrant must, unless the Directors in their absolute discretion determine otherwise, lodge the relevant Warrant certificate(s) (or such other document(s) as Utilico may, in its absolute discretion, accept) at the office of the Registrars during the period of 28 days ending at 3.30 p.m. on the relevant subscription date, having completed the notice of exercise of subscription rights thereon (or by giving such other notice of exercise of subscription rights as Utilico may, in its absolute discretion, accept), (a “certificated notice of exercise”) accompanied by a remittance for the aggregate subscription price for the Utilico Shares in respect of which the subscription rights are being exercised. The Directors may accept as valid, certificated notices of exercise of subscription rights which are received after the relevant subscription date provided they are accompanied by the correct remittance, as described above. Once lodged, a certificated notice of exercise of subscription rights shall be irrevocable, save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (c) Holders of uncertificated warrants in the form of Depositary Interests shall only be able to exercise their subscription rights outside of CREST in certificated form. Such holders will receive an exercise notification containing instructions on the steps required to subscribe.
- (d) Not earlier than 56 days nor later than 28 days before each subscription date, Utilico shall give notice in writing to the holders of the outstanding Warrants reminding them of their subscription rights. Failure by any holder to receive such notice shall not prejudice his rights, nor those of any other holder, to subscribe for Utilico Shares pursuant to their Warrants.
- (e) Unless the Directors otherwise determine, or unless the Regulations and/or the rules of the relevant system concerned otherwise require, the Utilico Shares arising on exercise of the Warrants shall be issued in uncertificated form (where the Warrants exercised were in uncertificated form on the subscription date concerned) or in certificated form (where the Warrants exercised were in certificated form on the subscription date concerned). Utilico Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after, and with effect from, the relevant subscription date. In the case of any Warrants that were in certificated form on the subscription date concerned, certificates in respect of such Utilico Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name(s) the Warrants are registered at the date of such exercise (and, if more than one, to the first named, which shall be sufficient despatch for all) or (subject as provided by law and to payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the form of nomination available from the Registrar (and, if more than one, to the first named, which shall be sufficient despatch for all). In the event of a partial exercise of the subscription rights evidenced by a Warrant certificate, Utilico shall at the same time issue a fresh Warrant certificate in the name of the Warranholder for any balance of Warrants with subscription rights remaining exercisable. In the case of any Warrants in uncertificated form, evidence of title to the Utilico Shares allotted will be recorded in accordance with the Regulations and/or the rules of the relevant system concerned. No form of nomination may be submitted in respect of uncertificated Warrants unless and until the Directors otherwise determine in accordance with the rules of the relevant system.

- (f) Utilico Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after and with effect from the relevant subscription date and certificates in respect of such Utilico Shares will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name the Warrant is registered at the date of such exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any other tax as may be applicable) to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all). In the event of a partial exercise of the subscription rights evidenced by a Warrant certificate, Utilico shall at the same time issue a new Warrant certificate, free of charge, in the name of the holder for any balance of that holder's subscription rights remaining exercisable.
- (g) No fractions of a Utilico Share will be issued on the exercise of any Warrant, provided that if more than one Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of Utilico Shares to be issued upon the exercise of such Warrants and whether (and, if so, what) fraction of a Utilico Share arises, the number of Utilico Shares arising on the exercise of each Warrant (including for this purpose fractions) shall first be aggregated. Any fractions of Utilico Shares arising on the exercise of Warrants on any subscription date shall be aggregated and, if practicable, sold in the market. The net proceeds of such sale will be paid to the holders of Warrants entitled thereto in proportion to the fractions arising on exercise of their Warrants, save that amounts of less than £3.00 per holder will be retained for the benefit of Utilico.
- (h) Utilico Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made on the Utilico Shares by reference to a record date prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Utilico Shares and otherwise will rank *pari passu* in all other respects with the Utilico Shares in issue at the subscription date, provided that on any allotment falling to be made pursuant to paragraph 4(g) below, the Utilico Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (i) For so long as the Utilico's share capital is listed on the Official List of the UKLA, it is the intention of Utilico to apply to the UKLA for the Utilico Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List and Utilico will use all reasonable endeavours to obtain such admissions as soon as practicable and, in any event, not later than 14 days after the allotment thereof.
- (j) If, immediately after any subscription date (other than the final subscription date) and after giving effect to any subscription rights exercised on that date, subscription rights shall have been exercised or Warrants otherwise lapsed in respect of 75 per cent. or more of the Utilico Shares to which the Warrants issued subject to and with the benefit of the Utilico 2008 Warrant Instrument relate, Utilico shall be entitled within 14 days thereafter to serve notice in writing on the holders of the Warrants then outstanding of its intention to appoint a trustee for the purposes set out below upon the expiry of 21 days from the date of such notice (the "Notice Period") and for this purpose the Notice Period shall expire at 3.30 p.m. on the twenty-first day from the date of such notice. However, such notice shall in its terms give the holders of the Warrants so outstanding a final opportunity to exercise their subscription rights by completing the notice of exercise of subscription rights on their Warrant certificates (or by giving such other notice of exercise of subscription rights as Utilico may, in its absolute discretion, accept) and lodging the same at the office of the Registrars before the expiry of the Notice Period, accompanied by a remittance for the aggregate subscription price for the Utilico Shares in respect of which the subscription rights are being exercised. Forthwith after the expiry of the Notice Period Utilico shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of any costs and expenses incurred by, and any fee payable to, him will exceed the costs of subscription, shall within the period of 14 days following the expiry of the Notice Period exercise the subscription rights which shall not have been exercised, on the terms (subject to any adjustments made previously pursuant to paragraphs 3(a) to (f) below) on which the same could have been exercised immediately prior to the expiry of the Notice Period if they had been exercisable on

that date and sell in the market the Utilico Shares acquired on such subscription. The trustee shall distribute *pro rata* the net proceeds of such sale (after deduction of any costs and expenses incurred by, and any fee payable to, him) less such subscription costs to the persons entitled thereto at the risk of such persons within two months of the relevant subscription date, provided that entitlements of under £3.00 per holder shall be retained for the benefit of Utilico. Following the expiry of the Notice Period, if the trustee does not exercise the subscription rights within the period of 14 days following such expiry as aforesaid (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), all rights attaching to such Warrants shall lapse on the expiry of such period of 14 days.

- (k) Within seven days following the final subscription date Utilico shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, him will exceed the costs of subscription, shall within the period of 14 days following the final subscription date exercise the subscription rights which shall not have been exercised, on the terms (subject to any adjustments made previously pursuant to paragraphs 3(a) to (f) below) on which the same could have been exercised on the final subscription date and sell in the market the Utilico Shares acquired on such subscription. The trustee shall distribute *pro rata* the net proceeds of such sale (after deduction of any costs and expenses incurred by, and any fee payable to, him) less such subscription costs to the persons entitled thereto within two months of the final subscription date, provided that entitlements of under £3.00 per holder shall be retained for the benefit of Utilico. If the trustee shall not exercise the subscription rights within the period of 14 days following the final subscription date (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), any outstanding Warrants shall lapse at the expiry of the period of 14 days following the final subscription date.
- (l) The trustee referred to in paragraphs 2(j) and (k) above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (m) Without prejudice to the generality of the final sentence of paragraphs 2(b) and 2(c) above, the exercise of subscription rights by any holder or beneficial owner of Warrants who is a US Person, or the right of such a holder or beneficial owner of Warrants or other US Person to receive the Utilico Shares falling to be issued to him following the exercise of his subscription rights, will be subject to such requirements, conditions, restrictions, limitations and/or prohibitions as Utilico may at any time impose, in its absolute discretion, for the purpose of complying with the securities laws of the United States (including, without limitation, the United States Securities Act of 1933 (as amended), the United States Investment Company Act of 1940 (as amended), and any rules or regulations promulgated under such Acts). As used herein, "US Person" means any person or entity defined as such in Rule 902 (o) under the United States Securities Act of 1933 (as amended), and, without limiting the generality of the foregoing, US Person includes a resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a United States bank or insurance company that is operating outside the United States for valid business reasons as a locally regulated branch or agency engaged in the banking or insurance business and "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

### **3 Adjustments of subscription rights**

The subscription price (and the number of Warrants outstanding and the number and/or the nominal value of the Utilico Shares to be subscribed upon exercise of the Warrants) shall from time to time be adjusted in accordance with the provisions of this paragraph 3.

- (a) If and whenever there shall be an alteration in the nominal amount of the Utilico Shares as a result of a consolidation or sub-division, the subscription price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the

nominal amount of one such Utilico Share immediately after such alteration and the denominator shall be the nominal amount of one such Utilico Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.

- (b) If and whenever Utilico shall allot to holders of Utilico Shares any Utilico Shares credited as fully paid by way of capitalisation of reserves or profits (other than Utilico Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the subscription price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Utilico Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of the issued and allotted Utilico Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Utilico Shares.
- (c) If on a date (or by reference to a record date) before the expiry of 14 days from the final subscription date, Utilico makes any offer or invitation to the holders of the Utilico Shares (whether by way of rights issue or otherwise but not being an offer to which paragraph 4(j) below applies or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 4(g) below applies) is made to such holders otherwise than by Utilico, then Utilico shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Warrants as if their subscription rights had been exercisable and had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 3(a) to (f)) on which the same could have been exercised if they had been exercisable on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by Utilico, Utilico shall not be required to procure that the same offer or invitation is made to the then holders of the Warrants but the subscription price shall be adjusted: (i) in the case of an offer of new Utilico Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the subscription price in force immediately before such announcement by a fraction of which the numerator is the number of Utilico Shares in issue on the date of such announcement plus the number of Utilico Shares which the aggregate amount payable for the total number of new Utilico Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Utilico Shares in issue on the date of such announcement plus the aggregate number of Utilico Shares offered for subscription and (ii) in any other case, in such manner as the Auditors shall report in writing to be, in their opinion, fair and reasonable. Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Utilico Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the Auditors. For the purposes of this paragraph “market price” shall mean the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Utilico Share for the five consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Utilico Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Utilico Shares in issue on those days.
- (d) No adjustment shall be made to the subscription price pursuant to paragraph 3(a), (b) or (c) above (other than by reason of and to reflect a consolidation of Utilico Shares as referred to in paragraph 3(a) above) if it would result in an increase in the subscription price and, in any event, no adjustment shall be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 3(d)) be less than 1 per cent. of the subscription price then in force and on any adjustment the adjusted subscription price will be rounded down to the nearest 1p. Any adjustment not so made and any amount by which the subscription price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the subscription price is adjusted in accordance with paragraphs 3(a) to (d) above (other than by reason of and to reflect a consolidation of Utilico Shares as referred to in paragraph 3(a) above), Utilico shall, subject as provided below, issue, for no payment, additional

Warrants to each holder of Warrants at the same time as such adjustment takes effect. The number of additional Warrants to which a holder of Warrants will be entitled shall be the number of existing Warrants held by him multiplied by the following fraction:

$$\frac{X-Y}{Y}$$

where:

X = the subscription price immediately before the adjustment; and

Y = the subscription price immediately after the adjustment.

Fractions of Warrants will not be allotted to holders of Warrants but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the holders of Warrants entitled thereto at the risk of such persons, save that amounts of less than £3.00 per holder will be retained for the benefit of Utilico.

Utilico may, following such an adjustment to the subscription price, elect to adjust the subscription terms of the existing Warrants (as opposed to issuing additional Warrants) so that the number and/or nominal value of Utilico Shares to be subscribed on any subsequent exercise of the Warrants will be increased or, as the case may be, reduced in due proportion (fractions being ignored on an aggregated basis) so as to maintain the same cost of exercising the subscription rights of each holder of Warrants. Such adjustment shall be determined by the Directors and the Auditors shall confirm that, in their opinion, the adjustments have been determined in all material respects in accordance with the provisions of the Utilico 2008 Warrant Instrument.

Whenever the subscription price is adjusted in accordance with this paragraph 3 by reason of a consolidation of Utilico Shares as referred to in paragraph 3(a) above, the number of Utilico Shares for which each holder is entitled to subscribe will be reduced accordingly.

Utilico shall give notice to holders within 28 days of any adjustment made pursuant to paragraphs 3(a) to (e) above and, if appropriate, within such period despatch Warrant certificates (at the risk of the persons entitled thereto) to the holders in respect of any additional Warrants.

- (f) If a holder shall become entitled to exercise his subscription pursuant to paragraph 4(g) below, the subscription price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors in accordance with the following formula:

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

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this paragraph 3(f), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (e) above) if the subscription rights were exercisable on the date on which Utilico shall become aware as provided in paragraph 4(g) below;

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 4(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Utilico Share for the 10 consecutive London Stock Exchange dealing days referred to in the definition of C above,

provided that:

- (i) the subscription price shall not be reduced so as to cause Utilico to be obliged to issue Utilico Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this sub-paragraph 3(f)(i), have reduced the subscription price to below the nominal value of a Utilico Share, the number of Utilico Shares to be subscribed pursuant to paragraph 4(g) below shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the holders of the Warrants as if the subscription price had been reduced without regard to this sub-paragraph 3(f)(i);
- (ii) the subscription price shall not be reduced where the value of D exceeds the aggregate value of B and C in the above formula;
- (iii) notwithstanding (ii) above, the subscription price shall be further adjusted to take account, to the extent that it is not already reflected in the market value of the Warrants, of the time value of money in such manner as the Directors shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustment is fair and reasonable.

The notice required to be given by Utilico under paragraph 4(g) below shall give details of any reduction in the subscription price pursuant to this paragraph 3(f).

- (g) For the purpose of determining whether paragraph 4(i) below shall apply and, accordingly, whether each holder of a Warrant is to be treated as if his subscription rights had been exercisable and had been exercised as therein provided, the subscription price which would have been payable on such exercise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

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

where:

- A = the reduction in the subscription price;
- B = the subscription price which would, but for the provisions of this paragraph 3(g), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above) if the subscription rights were exercisable immediately before the date on which the order referred to in paragraph 4(i) below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);
- C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and
- D = the amount (as determined by the Auditors) of the surplus available for distribution in respect of each Utilico Share, taking into account for this purpose the Utilico Shares which would arise on exercise of all the subscription rights and the subscription price which would be payable on the exercise of such subscription rights (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above but ignoring any adjustment to be made pursuant to this paragraph 3(g)).

The provisos set out in paragraph 3(f) above shall apply *mutatis mutandis* to any adjustment made in accordance with this paragraph 3(g).

- (h) Notwithstanding the provisions of sub-paragraphs 3(a) to (g) above, in any circumstances where the Directors shall consider that an adjustment to the subscription price provided for under the said provisions should not be made or should be calculated on a different basis or that an

adjustment to the subscription price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, Utilico may appoint the Auditors to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the Auditors shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner (including without limitation, making an adjustment calculated on a different basis) and/or to take effect from such other date and/or time as shall be reported by the Auditors to be in their opinion appropriate.

#### **4 Other provisions**

So long as any subscription rights remain exercisable:

- (a) Utilico shall not (except with the sanction of a special resolution):
  - (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Utilico Shares issued to the holders of its Utilico Shares or except on the winding up of Utilico;
  - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Utilico Shares issued to the holders of its Utilico Shares; or
  - (iii) on or by reference to a record date falling within the period of six weeks ending on the final subscription date, make any such allotment as is referred to in paragraph 3(b) above or any such offer or invitation as is referred to in paragraph 3(c) above (except by extending to the holders of the Warrants any such offer or invitation as may be made by a third party);
- (b) Utilico shall not (except with the sanction of a special resolution) in any way modify the rights attached to its existing Utilico Shares as a class, or create or issue any new class of equity share capital except for shares which carry, as compared with the rights attached to the existing Utilico Shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of Utilico to increase, consolidate or sub-divide its share capital or to issue further Utilico Shares which carry, as compared with the rights attached to the existing Utilico Shares, rights which are not more advantageous as regards voting, dividend or return of capital;
- (c) Utilico shall not issue any Utilico Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 3(c) above if, in either case, Utilico would on any subsequent exercise of the subscription rights be obliged to issue Utilico Shares at a discount to nominal value;
- (d) Utilico shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;
- (e) Utilico shall not (except with the sanction of a special resolution) change its financial year end from 30 June except to a date falling within fourteen days before or after 30 June;
- (f) except in circumstances where paragraph 3(c) above applies or except with the sanction of a special resolution, Utilico shall not grant (or offer or agree to grant) any option in respect of, or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Utilico Shares if the price per Utilico Share at which any such option or right is exercisable, or into which such loan capital is convertible, is lower than the subscription price for the time being;
- (g) subject as provided in paragraph 4(h) below, if at any time an offer is made to all holders of Utilico Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of Utilico and Utilico becomes aware on or before the final subscription date that as a result of such offer (or as a result of such offer and any other offer made by the offeror) the right to cast a majority of the votes which may ordinarily be cast on a poll at

a general meeting of Utilico has or will become vested in the offeror and/or such companies or persons as aforesaid, Utilico shall give notice to the holders of the Warrants of such vesting within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(h) above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which Utilico shall have become aware as aforesaid. If any part of such period falls after 30 April 2008 the final subscription date shall be deemed to be the last business day of such 30 day period;

- (h) if under any offer as referred to in paragraph 4(g) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants, which offer the financial advisers to Utilico (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and to the terms of paragraph 3(h) and any other circumstances which may appear to such financial advisers to be relevant), then a holder of Warrants shall not have the right to exercise his subscription rights on the basis referred to in paragraph 4(g) above and, subject to the offer as referred to in paragraph 4(g) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of Utilico not already owned by it, and/or any company controlled by it and/or any persons acting in concert with it, any Director shall be irrevocably authorised as attorney for the holders of the Warrants who have not accepted the offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants:
  - (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Warrants shall lapse; and
  - (ii) to do all such acts and things as may be necessary or appropriate in connection therewith;
- (i) if an order is made or an effective resolution is passed for winding up Utilico (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution) each holder of a Warrant shall (if in such winding up, on the basis that all subscription rights then unexercised had been exercised in full and the subscription price therefor had been received in full by Utilico, there shall be a surplus available for distribution amongst the holders of the Utilico Shares, including for this purpose the Utilico Shares which would arise on exercise of all the subscription rights (taking into account any adjustments previously made pursuant to paragraphs 3(a) to (f) above and subject to paragraph 3(h) above), which surplus would, on such basis, exceed in respect of each Utilico Share a sum equal to such subscription price) be treated as if immediately before the date of such order or resolution (as the case may be) his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above and subject to paragraph 3(h) above) on which the same could have been exercised if they had been exercisable immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the winding up *pari passu* with the holders of the Utilico Shares, such a sum as he would have received had he been the holder of the Utilico Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Utilico Share equal to the subscription price (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above and subject to paragraph 3(h) above). Subject to the foregoing, all subscription rights shall lapse on winding up of Utilico; and
- (j) if at any time an offer or invitation is made by Utilico to the holders of its Utilico Shares generally for purchase by Utilico of any of its Utilico Shares, Utilico shall simultaneously give notice thereof to the holders of the Warrants and each holder of a Warrant shall be entitled, at any time while such offer or invitation remains open for acceptance, to exercise his subscription rights on the terms (subject to any adjustments previously made under paragraphs 3(a) to (f) above and subject to paragraph 3(h) above) on which the same could have been exercised if they had been exercisable on the day immediately preceding the record date for such offer or invitation and any



Utilico Shares arising on exercise of the subscription rights shall be included in the offer or invitation on the same terms and conditions as if the Utilico Shares arising on the exercise of subscription rights had been in issue on the record date for such offer or invitation.

Notwithstanding the above provisions of this paragraph 4, a qualifying “C” share issue (as defined below) shall not constitute an alteration or abrogation of the rights attached to the Warrants (and shall not require the sanction of a special resolution) even though it may involve modification of the rights attached to the existing Utilico Shares or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the fully diluted net asset value attributable to each Utilico Share. For this purpose, a “qualifying “C” share issue” means an issue by Utilico of shares which will, within one year of the date of issue thereof, be converted into Utilico Shares ranking *pari passu* in all respects with the Utilico Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of warrants (whether on the same terms and conditions as the Warrants or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Utilico Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of Utilico, including share capital with preferred or deferred rights.

## **5 Modification of rights**

Subject to the existing rights of the holders of Utilico Shares, all or any of the rights for the time being attached to the Warrants and all or any of these terms and conditions may from time to time (whether or not Utilico is being wound up) be altered or abrogated with the sanction of a special resolution. All the provisions of Utilico’s Bye-laws for the time being as to general meetings shall apply *mutatis mutandis* as though the Warrants were a class of shares forming part of the capital of Utilico, but so that:

- (a) the necessary quorum shall be the requisite number of holders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the Utilico Shares attributable to such outstanding Warrants;
- (b) every holder of a Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for each Utilico Share for which he is entitled to subscribe;
- (c) any holder of a Warrant present in person or by proxy may demand or join in demanding a poll; and
- (d) if at any adjourned meeting a quorum as above defined is not present, the holder or holders of Warrants then present in person or by proxy shall be a quorum.

Any such alteration or abrogation approved as aforesaid shall be effected by deed poll executed by Utilico and expressed to be supplemental to the Utilico 2008 Warrant Instrument. Modifications to the Utilico 2008 Warrant Instrument which are of a formal, minor or technical nature, or made to correct a manifest error, and which do not adversely affect the interests of the holders of the Warrants, may be effected without the sanction of a special resolution by deed poll executed by Utilico and expressed to be supplemental to the Utilico 2008 Warrant Instrument and notice of such alteration or abrogation or modification shall be given by Utilico to the holders of the Warrants.

## **6 Purchase**

Utilico and its subsidiaries shall have the right to purchase Warrants in the market, by tender or by private treaty or otherwise, and Utilico may accept the surrender of Warrants at any time but:

- (a) such purchases will be made in accordance with the rules of any stock exchange on which the Warrants are listed; and
- (b) if such purchases are by tender, such tender will be available to all holders of Warrants alike.

All Warrants so purchased or surrendered shall forthwith be cancelled and shall not be available for re-issue or resale.

## **7 Transfer**

Each Warrant will be in registered form and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of a Utilico Share may be effected.

## **8 General**

- (a) Utilico will, concurrently with the issue of the same to the holders of the Utilico Shares, send to each holder of a Warrant (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of Utilico (or such abbreviated or summary financial statement sent to holders of Utilico Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by Utilico to holders of Utilico Shares.
- (b) Subject as otherwise provided in these terms and conditions, the provisions of the Bye-laws for the time being of Utilico relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Utilico Shares shall apply *mutatis mutandis* to the Warrants as if they were Utilico Shares.
- (c) Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on Utilico, its shareholders and each holder of Warrants.
- (d) Any reference in these terms and conditions to a statutory provision shall include that provision as from time to time modified or re-enacted.

## **9 Warrants in uncertificated form**

In these terms and conditions:

- (a) “Regulations” means such regulations as may be applicable to the holding of dematerialised securities, including the Uncertificated Securities Regulations 2001 and includes:
  - (i) any enactment or subordinated legislation which amends or supersedes those regulations; and
  - (ii) any applicable rules made under those regulations including those of a relevant system or under any such enactment or subordinated legislation for the time being in force;
- (b) words and expressions used in these terms and conditions have the same meaning as in the Regulations;
- (c) “notice of exercise” means, in relation to any Warrants that are in certificated form on any subscription date, a certificated notice of exercise (as defined in paragraph 2(b) above) or, in relation to any Warrants that are in uncertificated form on any subscription date, an uncertificated notice of exercise (as defined in paragraph 2(c) above);
- (d) whether any Warrants are in certificated form or uncertificated form on a subscription date shall be determined by reference to the register of holders of Warrants as at the close of business on the relevant subscription date or at such other time or date as the Directors (subject to the facilities and requirements of the relevant system concerned) in their absolute discretion determine;
- (e) “CREST” means the relevant system operated by CRESTCo Limited in terms of the Regulations, which enables title to shares or other securities to be evidenced or transferred without a written instrument;
- (f) nothing in these terms and conditions shall preclude any Warrant from being issued, held, registered, exercised, transferred or otherwise dealt with in uncertificated form in accordance with the Regulations and any other rules and requirements laid down from time to time by CREST or any other relevant system operated pursuant to the Regulations. The Directors may make arrangements for the Warrants to become a participating security in a relevant system;

- (g) in relation to any Warrant which is in uncertificated form, these terms and conditions shall have effect subject to the provisions of the Regulations and (so far as consistent with them) to the following provisions:
- (i) Utilico shall not be obliged to issue a certificate evidencing title to a Warrant and all references to a Warrant certificate in respect of any Warrants held in uncertificated form in these terms and conditions shall be deemed inapplicable to such Warrants which are in uncertificated form and furthermore shall be interpreted as a reference to such form of evidence of title to uncertificated Warrants as the Regulations and the rules of the relevant system concerned prescribe or permit;
  - (ii) the registration of title to and transfer of any Warrants in uncertificated form shall be effected in accordance with the Regulations and the rules of the relevant system concerned and there shall be no requirement for a written instrument of transfer;
  - (iii) a properly authenticated dematerialised instruction given in accordance with the Regulations and any rules of the relevant system operated pursuant to the Regulations shall be given effect to in accordance with its terms;
  - (iv) Warrants may be changed from uncertificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Regulations and Utilico shall record on the register of Warrantheolders that the Warrants are held in certificated or uncertificated form as appropriate;
  - (v) any communications required or permitted by these terms and conditions given by a person to Utilico or by Utilico to a person, may be given in accordance with and in any manner (whether or not in writing), prescribed or permitted by the Regulations or any rules operated by the relevant system;
  - (vi) the provisions of these terms and conditions with respect to meetings of the holders of the Warrants shall have effect subject to the provisions of the Regulations;
  - (vii) for the avoidance of doubt, these terms and conditions are applicable to the Warrants held in uncertificated form and shall remain so applicable (and accordingly Utilico shall continue to comply with the terms and conditions of the same) notwithstanding that they are not endorsed on any certificate for such Warrants; and
  - (viii) Utilico shall provide to any holder of Warrants in uncertificated form a copy of these terms and conditions on request by him (but so that joint holders of such Warrants shall be entitled to receive one copy only of these terms and conditions in respect of the Warrants held jointly by them, which copy shall be delivered to that one of the joint holders whose name stands first in the register of Warrantheolders in respect of that holding); and
- (h) these terms and conditions may be amended by the Directors to reflect changes made to, and continued compliance with, the Regulations.

## PART 4

### TERMS AND CONDITIONS OF UTILICO 2012 WARRANTS

The Utilico 2012 Warrants are constituted by, and will be issued subject to and with the benefit of, a Deed Poll of Utilico dated the date of this document (the “Utilico 2012 Warrant Instrument”). Holders of Utilico 2012 Warrants will be bound by all the terms and conditions set out in the Utilico 2012 Warrant Instrument.

#### 1 Definitions and interpretation

In the Utilico 2012 Warrant Instrument the following expressions have the following meanings, except where the context otherwise requires:

“Auditors”	the auditors for the time being of Utilico
“Bye-laws”	the bye-laws of Utilico as altered from time to time
“Directors”	the directors for the time being of Utilico
“holder”	the registered holder for the time being of Utilico Warrants
“Prospectus”	the prospectus relating to Utilico and Utilico Finance dated 14 May 2007
“Registrars”	the registrars for the time being of Utilico
“special resolution”	a resolution passed at a meeting of the holders of the Utilico Warrants duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll
“subscription date”	30 April (or, if such day is not a business day, the next following business day) in any of the years 2008 to 2012 (or, if later, on the thirtieth day after the date on which copies of the interim accounts of Utilico for the immediately preceding interim period are despatched to shareholders) and 31 October (or, if such day is not a business day, the next following business day) in any of the years 2007 to 2011 (or, in the case of the years 2008 to 2011, if later, on the thirtieth day after the date on which copies of the audited accounts of Utilico for the immediately preceding financial year are despatched to shareholders)
“subscription price”	the price per Utilico Share at which the subscription rights are exercisable on each subscription date, or such adjusted price as may be determined from time to time in accordance with the provisions described in paragraph 3 below <sup>1</sup>
“subscription rights”	the rights to subscribe for Utilico Shares specified in paragraph 2(a) below
“Utilico Shares”	the ordinary shares of 10p each (or of such other nominal amount as may be adjusted as described in paragraph 3 below) in the capital of Utilico
“Utilico Warrant” or “Warrant”	a warrant to subscribe for Utilico Shares.

<sup>1</sup> The exercise price of the Utilico Warrants will be equal to the latest Net Asset Value of a Utilico Investment Trust Ordinary Share on a diluted basis, as announced through a Regulatory Information Service prior to the Effective Date and adjusted for the costs and expenses of the Issues and the Placing and Offer which are to be borne by Utilico, rounded up to the nearest five pence.

If Utilico changes its accounting reference date from 30 June, the references to 31 October and 30 April in the Utilico 2012 Warrant Instrument shall be changed to the date falling four months after the new accounting reference date and interim date, as appropriate.

## **2 Subscription rights**

- (a) A holder of Warrants shall have rights (“subscription rights”) to subscribe in cash on each subscription date for all or any of the Utilico Shares for which he is entitled to subscribe under such Warrants of which he is the holder at the price per Utilico Share determined in accordance with footnote 1 on page 52 of this document, payable in full on subscription, subject to adjustment as provided in paragraph 3 below. The number of Utilico Shares to which each Warrant relates is (prior to any adjustment as provided in paragraph 3 below) one Utilico Share. The subscription price, the number of Warrants outstanding and the number and/or nominal value of the Utilico Shares to be subscribed upon exercise of the Warrants shall be subject to adjustment as provided in paragraph 3 below. The Warrants registered in a holder’s name will be evidenced by a Warrant certificate issued by Utilico.
- (b) In order to exercise the subscription rights, in whole or in part, the holder of a Warrant must, unless the Directors in their absolute discretion determine otherwise, lodge the relevant Warrant certificate(s) (or such other document(s) as Utilico may, in its absolute discretion, accept) at the office of the Registrars during the period of 28 days ending at 3.30 p.m. on the relevant subscription date, having completed the notice of exercise of subscription rights thereon (or by giving such other notice of exercise of subscription rights as Utilico may, in its absolute discretion, accept), (a “certificated notice of exercise”) accompanied by a remittance for the aggregate subscription price for the Utilico Shares in respect of which the subscription rights are being exercised. The Directors may accept as valid, certificated notices of exercise of subscription rights which are received after the relevant subscription date provided they are accompanied by the correct remittance, as described above. Once lodged, a certificated notice of exercise of subscription rights shall be irrevocable, save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (c) Holders of uncertificated warrants in the form of Depository Interests shall only be able to exercise their subscription rights outside of CREST in certificated form. Such holders will receive an exercise notification containing instructions on the steps required to subscribe.
- (d) Not earlier than 56 days nor later than 28 days before each subscription date, Utilico shall give notice in writing to the holders of the outstanding Warrants reminding them of their subscription rights. Failure by any holder to receive such notice shall not prejudice his rights, nor those of any other holder, to subscribe for Utilico Shares pursuant to their Warrants.
- (e) Unless the Directors otherwise determine, or unless the Regulations and/or the rules of the relevant system concerned otherwise require, the Utilico Shares arising on exercise of the Warrants shall be issued in uncertificated form (where the Warrants exercised were in uncertificated form on the subscription date concerned) or in certificated form (where the Warrants exercised were in certificated form on the subscription date concerned). Utilico Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after, and with effect from, the relevant subscription date. In the case of any Warrants that were in certificated form on the subscription date concerned, certificates in respect of such Utilico Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name(s) the Warrants are registered at the date of such exercise (and, if more than one, to the first named, which shall be sufficient despatch for all) or (subject as provided by law and to payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the form of nomination available from the Registrar (and, if more than one, to the first named, which shall be sufficient despatch for all). In the event of a partial exercise of the subscription rights evidenced by a Warrant certificate, Utilico shall at the same time issue a fresh Warrant certificate in the name of the Warranholder for any balance of Warrants with subscription rights remaining exercisable. In the case of any Warrants in uncertificated form, evidence of title to the

Utilico Shares allotted will be recorded in accordance with the Regulations and/or the rules of the relevant system concerned. No form of nomination may be submitted in respect of uncertificated Warrants unless and until the Directors otherwise determine in accordance with the rules of the relevant system.

- (f) Utilico Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after and with effect from the relevant subscription date and certificates in respect of such Utilico Shares will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name the Warrant is registered at the date of such exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any other tax as may be applicable) to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all). In the event of a partial exercise of the subscription rights evidenced by a Warrant certificate, Utilico shall at the same time issue a new Warrant certificate, free of charge, in the name of the holder for any balance of that holder's subscription rights remaining exercisable.
- (g) No fractions of a Utilico Share will be issued on the exercise of any Warrant, provided that if more than one Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of Utilico Shares to be issued upon the exercise of such Warrants and whether (and, if so, what) fraction of a Utilico Share arises, the number of Utilico Shares arising on the exercise of each Warrant (including for this purpose fractions) shall first be aggregated. Any fractions of Utilico Shares arising on the exercise of Warrants on any subscription date shall be aggregated and, if practicable, sold in the market. The net proceeds of such sale will be paid to the holders of Warrants entitled thereto in proportion to the fractions arising on exercise of their Warrants, save that amounts of less than £3.00 per holder will be retained for the benefit of Utilico.
- (h) Utilico Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made on the Utilico Shares by reference to a record date prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Utilico Shares and otherwise will rank *pari passu* in all other respects with the Utilico Shares in issue at the subscription date, provided that on any allotment falling to be made pursuant to paragraph 4(g) below, the Utilico Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (i) For so long as Utilico's share capital is listed on the Official List of the UKLA, it is the intention of Utilico to apply to the UKLA for the Utilico Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List and Utilico will use all reasonable endeavours to obtain such admissions as soon as practicable and, in any event, not later than 14 days after the allotment thereof.
- (j) If, immediately after any subscription date (other than the final subscription date) and after giving effect to any subscription rights exercised on that date, subscription rights shall have been exercised or Warrants otherwise lapsed in respect of 75 per cent. or more of the Utilico Shares to which the Warrants issued subject to and with the benefit of the Utilico 2012 Warrant Instrument relate, Utilico shall be entitled within 14 days thereafter to serve notice in writing on the holders of the Warrants then outstanding of its intention to appoint a trustee for the purposes set out below upon the expiry of 21 days from the date of such notice (the "Notice Period") and for this purpose the Notice Period shall expire at 3.30 p.m. on the twenty-first day from the date of such notice. However, such notice shall in its terms give the holders of the Warrants so outstanding a final opportunity to exercise their subscription rights by completing the notice of exercise of subscription rights on their Warrant certificates (or by giving such other notice of exercise of subscription rights as Utilico may, in its absolute discretion, accept) and lodging the same at the office of the Registrars before the expiry of the Notice Period, accompanied by a remittance for the aggregate subscription price for the Utilico Shares in respect of which the subscription rights are being exercised. Forthwith after

the expiry of the Notice Period Utilico shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of any costs and expenses incurred by, and any fee payable to, him will exceed the costs of subscription, shall within the period of 14 days following the expiry of the Notice Period exercise the subscription rights which shall not have been exercised, on the terms (subject to any adjustments made previously pursuant to paragraphs 3(a) to (f) below) on which the same could have been exercised immediately prior to the expiry of the Notice Period if they had been exercisable on that date and sell in the market the Utilico Shares acquired on such subscription. The trustee shall distribute *pro rata* the net proceeds of such sale (after deduction of any costs and expenses incurred by, and any fee payable to, him) less such subscription costs to the persons entitled thereto at the risk of such persons within two months of the relevant subscription date, provided that entitlements of under £3.00 per holder shall be retained for the benefit of Utilico. Following the expiry of the Notice Period, if the trustee does not exercise the subscription rights within the period of 14 days following such expiry as aforesaid (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), all rights attaching to such Warrants shall lapse on the expiry of such period of 14 days.

- (k) Within seven days following the final subscription date Utilico shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, him will exceed the costs of subscription, shall within the period of 14 days following the final subscription date exercise the subscription rights which shall not have been exercised, on the terms (subject to any adjustments made previously pursuant to paragraphs 3(a) to (f) below) on which the same could have been exercised on the final subscription date and sell in the market the Utilico Shares acquired on such subscription. The trustee shall distribute *pro rata* the net proceeds of such sale (after deduction of any costs and expenses incurred by, and any fee payable to, him) less such subscription costs to the persons entitled thereto within two months of the final subscription date, provided that entitlements of under £3.00 per holder shall be retained for the benefit of Utilico. If the trustee shall not exercise the subscription rights within the period of 14 days following the final subscription date (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), any outstanding Warrants shall lapse at the expiry of the period of 14 days following the final subscription date.
- (l) The trustee referred to in paragraphs 2(j) and (k) above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (m) Without prejudice to the generality of the final sentence of paragraphs 2(b) and 2(c) above, the exercise of subscription rights by any holder or beneficial owner of Warrants who is a US Person, or the right of such a holder or beneficial owner of Warrants or other US Person to receive the Utilico Shares falling to be issued to him following the exercise of his subscription rights, will be subject to such requirements, conditions, restrictions, limitations and/or prohibitions as Utilico may at any time impose, in its absolute discretion, for the purpose of complying with the securities laws of the United States (including, without limitation, the United States Securities Act of 1933 (as amended), the United States Investment Company Act of 1940 (as amended), and any rules or regulations promulgated under such Acts). As used herein, "US Person" means any person or entity defined as such in Rule 902 (o) under the United States Securities Act of 1933 (as amended), and, without limiting the generality of the foregoing, US Person includes a resident of the United States, a corporation, partnership or other entity created or organised in or under the laws of the United States and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a United States bank or insurance company that is operating outside the United States for valid business reasons as a locally regulated branch or agency engaged in the banking or insurance business and "United States" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

### 3 Adjustments of subscription rights

The subscription price (and the number of Warrants outstanding and the number and/or the nominal value of the Utilico Shares to be subscribed upon exercise of the Warrants) shall from time to time be adjusted in accordance with the provisions of this paragraph 3.

- (a) If and whenever there shall be an alteration in the nominal amount of the Utilico Shares as a result of a consolidation or sub-division, the subscription price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Utilico Share immediately after such alteration and the denominator shall be the nominal amount of one such Utilico Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever Utilico shall allot to holders of Utilico Shares any Utilico Shares credited as fully paid by way of capitalisation of reserves or profits (other than Utilico Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the subscription price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Utilico Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of the issued and allotted Utilico Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Utilico Shares.
- (c) If on a date (or by reference to a record date) before the expiry of 14 days from the final subscription date, Utilico makes any offer or invitation to the holders of the Utilico Shares (whether by way of rights issue or otherwise but not being an offer to which paragraph 4(j) below applies or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 4(g) below applies) is made to such holders otherwise than by Utilico, then Utilico shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Warrants as if their subscription rights had been exercisable and had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 3(a) to (f)) on which the same could have been exercised if they had been exercisable on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by Utilico, Utilico shall not be required to procure that the same offer or invitation is made to the then holders of the Warrants but the subscription price shall be adjusted: (i) in the case of an offer of new Utilico Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the subscription price in force immediately before such announcement by a fraction of which the numerator is the number of Utilico Shares in issue on the date of such announcement plus the number of Utilico Shares which the aggregate amount payable for the total number of new Utilico Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Utilico Shares in issue on the date of such announcement plus the aggregate number of Utilico Shares offered for subscription and (ii) in any other case, in such manner as the Auditors shall report in writing to be, in their opinion, fair and reasonable. Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Utilico Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the Auditors. For the purposes of this paragraph “market price” shall mean the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Utilico Share for the five consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Utilico Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Utilico Shares in issue on those days.
- (d) No adjustment shall be made to the subscription price pursuant to paragraph 3(a), (b) or (c) above (other than by reason of and to reflect a consolidation of Utilico Shares as referred to in paragraph 3(a) above) if it would result in an increase in the subscription price and, in any event, no adjustment shall be made if such adjustment would (taken together with the amount of any



adjustment carried forward under the provisions of this paragraph 3(d)) be less than 1 per cent. of the subscription price then in force and on any adjustment the adjusted subscription price will be rounded down to the nearest 1p. Any adjustment not so made and any amount by which the subscription price is rounded down will be carried forward and taken into account in any subsequent adjustment.

- (e) Whenever the subscription price is adjusted in accordance with paragraphs 3(a) to (d) above (other than by reason of and to reflect a consolidation of Utilico Shares as referred to in paragraph 3(a) above), Utilico shall, subject as provided below, issue, for no payment, additional Warrants to each holder of Warrants at the same time as such adjustment takes effect. The number of additional Warrants to which a holder of Warrants will be entitled shall be the number of existing Warrants held by him multiplied by the following fraction:

$$\frac{X-Y}{Y}$$

where:

X = the subscription price immediately before the adjustment; and

Y = the subscription price immediately after the adjustment.

Fractions of Warrants will not be allotted to holders of Warrants but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the holders of Warrants entitled thereto at the risk of such persons, save that amounts of less than £3.00 per holder will be retained for the benefit of Utilico.

Utilico may, following such an adjustment to the subscription price, elect to adjust the subscription terms of the existing Warrants (as opposed to issuing additional Warrants) so that the number and/or nominal value of Utilico Shares to be subscribed on any subsequent exercise of the Warrants will be increased or, as the case may be, reduced in due proportion (fractions being ignored on an aggregated basis) so as to maintain the same cost of exercising the subscription rights of each holder of Warrants. Such adjustment shall be determined by the Directors and the Auditors shall confirm that, in their opinion, the adjustments have been determined in all material respects in accordance with the provisions of the Utilico 2012 Warrant Instrument.

Whenever the subscription price is adjusted in accordance with this paragraph 3 by reason of a consolidation of Utilico Shares as referred to in paragraph 3(a) above, the number of Utilico Shares for which each holder is entitled to subscribe will be reduced accordingly.

Utilico shall give notice to holders within 28 days of any adjustment made pursuant to paragraphs 3(a) to (e) above and, if appropriate, within such period despatch Warrant certificates (at the risk of the persons entitled thereto) to the holders in respect of any additional Warrants.

- (f) If a holder shall become entitled to exercise his subscription pursuant to paragraph 4(g) below, the subscription price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors in accordance with the following formula:

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

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this paragraph 3(f), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (e) above) if the subscription rights were exercisable on the date on which Utilico shall become aware as provided in paragraph 4(g) below;

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date of the announcement of the

offer referred to in paragraph 4(g) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Utilico Share for the 10 consecutive London Stock Exchange dealing days referred to in the definition of C above,

provided that:

- (i) the subscription price shall not be reduced so as to cause Utilico to be obliged to issue Utilico Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this sub-paragraph 3(f)(i), have reduced the subscription price to below the nominal value of a Utilico Share, the number of Utilico Shares to be subscribed pursuant to paragraph 4(g) below shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the holders of the Warrants as if the subscription price had been reduced without regard to this sub-paragraph 3(f)(i);
- (ii) the subscription price shall not be reduced where the value of D exceeds the aggregate value of B and C in the above formula;
- (iii) notwithstanding (ii) above, the subscription price shall be further adjusted to take account, to the extent that it is not already reflected in the market value of the Warrants, of the time value of money in such manner as the Directors shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustment is fair and reasonable.

The notice required to be given by Utilico under paragraph 4(g) below shall give details of any reduction in the subscription price pursuant to this paragraph 3(f).

- (g) For the purpose of determining whether paragraph 4(i) below shall apply and, accordingly, whether each holder of a Warrant is to be treated as if his subscription rights had been exercisable and had been exercised as therein provided, the subscription price which would have been payable on such exercise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

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

where:

- A = the reduction in the subscription price;
- B = the subscription price which would, but for the provisions of this paragraph 3(g), be applicable (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above) if the subscription rights were exercisable immediately before the date on which the order referred to in paragraph 4(i) below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);
- C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and
- D = the amount (as determined by the Auditors) of the surplus available for distribution in respect of each Utilico Share, taking into account for this purpose the Utilico Shares which would arise on exercise of all the subscription rights and the subscription price which would

be payable on the exercise of such subscription rights (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above but ignoring any adjustment to be made pursuant to this paragraph 3(g)).

The provisos set out in paragraph 3(f) above shall apply *mutatis mutandis* to any adjustment made in accordance with this paragraph 3(g).

- (h) Notwithstanding the provisions of sub-paragraphs 3(a) to (g) above, in any circumstances where the Directors shall consider that an adjustment to the subscription price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the subscription price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, Utilico may appoint the Auditors to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the Auditors shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner (including without limitation, making an adjustment calculated on a different basis) and/or to take effect from such other date and/or time as shall be reported by the Auditors to be in their opinion appropriate.

#### **4 Other provisions**

So long as any subscription rights remain exercisable:

- (a) Utilico shall not (except with the sanction of a special resolution):
- (i) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Utilico Shares issued to the holders of its Utilico Shares or except on the winding up of Utilico;
  - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Utilico Shares issued to the holders of its Utilico Shares; or
  - (iii) on or by reference to a record date falling within the period of six weeks ending on the final subscription date, make any such allotment as is referred to in paragraph 3(b) above or any such offer or invitation as is referred to in paragraph 3(c) above (except by extending to the holders of the Warrants any such offer or invitation as may be made by a third party);
- (b) Utilico shall not (except with the sanction of a special resolution) in any way modify the rights attached to its existing Utilico Shares as a class, or create or issue any new class of equity share capital except for shares which carry, as compared with the rights attached to the existing Utilico Shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of Utilico to increase, consolidate or sub-divide its share capital or to issue further Utilico Shares which carry, as compared with the rights attached to the existing Utilico Shares, rights which are not more advantageous as regards voting, dividend or return of capital;
- (c) Utilico shall not issue any Utilico Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 3(c) above if, in either case, Utilico would on any subsequent exercise of the subscription rights be obliged to issue Utilico Shares at a discount to nominal value;
- (d) Utilico shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;
- (e) Utilico shall not (except with the sanction of a special resolution) change its financial year end from 30 June except to a date falling within fourteen days before or after 30 June;
- (f) except in circumstances where paragraph 3(c) above applies or except with the sanction of a special resolution, Utilico shall not grant (or offer or agree to grant) any option in respect of, or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Utilico Shares if the price per Utilico Share at which any such option or right is exercisable, or into which such loan capital is convertible, is lower than the subscription price for the time being;

- (g) subject as provided in paragraph 4(h) below, if at any time an offer is made to all holders of Utilico Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of Utilico and Utilico becomes aware on or before the final subscription date that as a result of such offer (or as a result of such offer and any other offer made by the offeror) the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of Utilico has or will become vested in the offeror and/or such companies or persons as aforesaid, Utilico shall give notice to the holders of the Warrants of such vesting within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) and subject to paragraph 3(h) above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which Utilico shall have become aware as aforesaid. If any part of the 30 day period referred to falls before 31 October 2007, the Warrants shall nevertheless be deemed to be exercisable during all of that period for the purposes of this paragraph 4(g) and if any part of such period falls after 30 April 2012 the final subscription date shall be deemed to be the last business day of such 30 day period;
- (h) if under any offer as referred to in paragraph 4(g) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants, which offer the financial advisers to Utilico (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and to the terms of paragraph 3(h) and any other circumstances which may appear to such financial advisers to be relevant), then a holder of Warrants shall not have the right to exercise his subscription rights on the basis referred to in paragraph 4(g) above and, subject to the offer as referred to in paragraph 4(g) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of Utilico not already owned by it, and/or any company controlled by it and/or any persons acting in concert with it, any Director shall be irrevocably authorised as attorney for the holders of the Warrants who have not accepted the offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants:
- (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Warrants shall lapse; and
  - (ii) to do all such acts and things as may be necessary or appropriate in connection therewith;
- (i) if an order is made or an effective resolution is passed for winding up Utilico (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution) each holder of a Warrant shall (if in such winding up, on the basis that all subscription rights then unexercised had been exercised in full and the subscription price therefor had been received in full by Utilico, there shall be a surplus available for distribution amongst the holders of the Utilico Shares, including for this purpose the Utilico Shares which would arise on exercise of all the subscription rights (taking into account any adjustments previously made pursuant to paragraphs 3(a) to (f) above and subject to paragraph 3(h) above), which surplus would, on such basis, exceed in respect of each Utilico Share a sum equal to such subscription price) be treated as if immediately before the date of such order or resolution (as the case may be) his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above and subject to paragraph 3(h) above) on which the same could have been exercised if they had been exercisable immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the winding up *pari passu* with the holders of the Utilico Shares, such a sum as he would have received had he been the holder of the Utilico Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Utilico Share equal to the subscription price (subject to any adjustments previously made pursuant to paragraphs 3(a) to (f) above and subject to paragraph 3(h) above). Subject to the foregoing, all subscription rights shall lapse on winding up of Utilico; and

- (j) if at any time an offer or invitation is made by Utilico to the holders of its Utilico Shares generally for purchase by Utilico of any of its Utilico Shares, Utilico shall simultaneously give notice thereof to the holders of the Warrants and each holder of a Warrant shall be entitled, at any time while such offer or invitation remains open for acceptance, to exercise his subscription rights on the terms (subject to any adjustments previously made under paragraphs 3(a) to (f) above and subject to paragraph 3(h) above) on which the same could have been exercised if they had been exercisable on the day immediately preceding the record date for such offer or invitation and any Utilico Shares arising on exercise of the subscription rights shall be included in the offer or invitation on the same terms and conditions as if the Utilico Shares arising on the exercise of subscription rights had been in issue on the record date for such offer or invitation.

Notwithstanding the above provisions of this paragraph 4, a qualifying “C” share issue (as defined below) shall not constitute an alteration or abrogation of the rights attached to the Warrants (and shall not require the sanction of a special resolution) even though it may involve modification of the rights attached to the existing Utilico Shares or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the fully diluted net asset value attributable to each Utilico Share. For this purpose, a “qualifying “C” share issue” means an issue by Utilico of shares which will, within one year of the date of issue thereof, be converted into Utilico Shares ranking *pari passu* in all respects with the Utilico Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of warrants (whether on the same terms and conditions as the Warrants or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Utilico Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of Utilico, including share capital with preferred or deferred rights.

## **5 Modification of rights**

Subject to the existing rights of the holders of Utilico Shares, all or any of the rights for the time being attached to the Warrants and all or any of these terms and conditions may from time to time (whether or not Utilico is being wound up) be altered or abrogated with the sanction of a special resolution. All the provisions of Utilico’s Bye-laws for the time being as to general meetings shall apply *mutatis mutandis* as though the Warrants were a class of shares forming part of the capital of Utilico, but so that:

- (a) the necessary quorum shall be the requisite number of holders (present in person or by proxy) entitled to subscribe one-third in nominal amount of the Utilico Shares attributable to such outstanding Warrants;
- (b) every holder of a Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for each Utilico Share for which he is entitled to subscribe;
- (c) any holder of a Warrant present in person or by proxy may demand or join in demanding a poll; and
- (d) if at any adjourned meeting a quorum as above defined is not present, the holder or holders of Warrants then present in person or by proxy shall be a quorum.

Any such alteration or abrogation approved as aforesaid shall be effected by deed poll executed by Utilico and expressed to be supplemental to the Utilico 2012 Warrant Instrument. Modifications to the Utilico 2012 Warrant Instrument which are of a formal, minor or technical nature, or made to correct a manifest error, and which do not adversely affect the interests of the holders of the Warrants, may be effected without the sanction of a special resolution by deed poll executed by Utilico and expressed to be supplemental to the Utilico 2012 Warrant Instrument and notice of such alteration or abrogation or modification shall be given by Utilico to the holders of the Warrants.

## **6 Purchase**

Utilico and its subsidiaries shall have the right to purchase Warrants in the market, by tender or by private treaty or otherwise, and Utilico may accept the surrender of Warrants at any time but:

- (a) such purchases will be made in accordance with the rules of any stock exchange on which the Warrants are listed; and
- (b) if such purchases are by tender, such tender will be available to all holders of Warrants alike.

All Warrants so purchased or surrendered shall forthwith be cancelled and shall not be available for re-issue or resale.

## **7 Transfer**

Each Warrant will be in registered form and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of a Utilico Share may be effected.

## **8 General**

- (a) Utilico will, concurrently with the issue of the same to the holders of the Utilico Shares, send to each holder of a Warrant (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of Utilico (or such abbreviated or summary financial statement sent to holders of Utilico Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by Utilico to holders of Utilico Shares.
- (b) Subject as otherwise provided in these terms and conditions, the provisions of the Bye-laws for the time being of Utilico relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Utilico Shares shall apply *mutatis mutandis* to the Warrants as if they were Utilico Shares.
- (c) Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on Utilico, its shareholders and each holder of Warrants.
- (d) Any reference in these terms and conditions to a statutory provision shall include that provision as from time to time modified or re-enacted.

## **9 Warrants in uncertificated form**

In these terms and conditions:

- (a) "Regulations" means such regulations as may be applicable to the holding of dematerialised securities, including the Uncertificated Securities Regulations 2001 and includes:
  - (i) any enactment or subordinated legislation which amends or supersedes those regulations; and
  - (ii) any applicable rules made under those regulations including those of a relevant system or under any such enactment or subordinated legislation for the time being in force;
- (b) words and expressions used in these terms and conditions have the same meaning as in the Regulations;
- (c) "notice of exercise" means, in relation to any Warrants that are in certificated form on any subscription date, a certificated notice of exercise (as defined in paragraph 2(b) above) or, in relation to any Warrants that are in uncertificated form on any subscription date, an uncertificated notice of exercise (as defined in paragraph 2(c) above);
- (d) whether any Warrants are in certificated form or uncertificated form on a subscription date shall be determined by reference to the register of holders of Warrants as at the close of business on the relevant subscription date or at such other time or date as the Directors (subject to the facilities and requirements of the relevant system concerned) in their absolute discretion determine;

- (e) "CREST" means the relevant system operated by CRESTCo Limited in terms of the Regulations, which enables title to shares or other securities to be evidenced or transferred without a written instrument;
- (f) nothing in these terms and conditions shall preclude any Warrant from being issued, held, registered, exercised, transferred or otherwise dealt with in uncertificated form in accordance with the Regulations and any other rules and requirements laid down from time to time by CREST or any other relevant system operated pursuant to the Regulations. The Directors may make arrangements for the Warrants to become a participating security in a relevant system;
- (g) in relation to any Warrant which is in uncertificated form, these terms and conditions shall have effect subject to the provisions of the Regulations and (so far as consistent with them) to the following provisions:
  - (i) Utilico shall not be obliged to issue a certificate evidencing title to a Warrant and all references to a Warrant certificate in respect of any Warrants held in uncertificated form in these terms and conditions shall be deemed inapplicable to such Warrants which are in uncertificated form and furthermore shall be interpreted as a reference to such form of evidence of title to uncertificated Warrants as the Regulations and the rules of the relevant system concerned prescribe or permit;
  - (ii) the registration of title to and transfer of any Warrants in uncertificated form shall be effected in accordance with the Regulations and the rules of the relevant system concerned and there shall be no requirement for a written instrument of transfer;
  - (iii) a properly authenticated dematerialised instruction given in accordance with the Regulations and any rules of the relevant system operated pursuant to the Regulations shall be given effect to in accordance with its terms;
  - (iv) Warrants may be changed from uncertificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Regulations and Utilico shall record on the register of Warrantholders that the Warrants are held in certificated or uncertificated form as appropriate;
  - (v) any communications required or permitted by these terms and conditions given by a person to Utilico or by Utilico to a person, may be given in accordance with and in any manner (whether or not in writing), prescribed or permitted by the Regulations or any rules operated by the relevant system;
  - (vi) the provisions of these terms and conditions with respect to meetings of the holders of the Warrants shall have effect subject to the provisions of the Regulations;
  - (vii) for the avoidance of doubt, these terms and conditions are applicable to the Warrants held in uncertificated form and shall remain so applicable (and accordingly Utilico shall continue to comply with the terms and conditions of the same) notwithstanding that they are not endorsed on any certificate for such Warrants; and
  - (viii) Utilico shall provide to any holder of Warrants in uncertificated form a copy of these terms and conditions on request by him (but so that joint holders of such Warrants shall be entitled to receive one copy only of these terms and conditions in respect of the Warrants held jointly by them, which copy shall be delivered to that one of the joint holders whose name stands first in the register of Warrantholders in respect of that holding); and
- (h) these terms and conditions may be amended by the Directors to reflect changes made to, and continued compliance with, the Regulations.

## PART 5

### 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, 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.

Both Utilico and Utilico Finance have 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 Group 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 Group or any land leased to the Group.

As exempted companies, Utilico and Utilico Finance are each liable to pay the Bermuda Government an annual government fee which is currently US\$1,780. The annual government fee will increase following Utilico's and Utilico Finance's respective share capital increases and thereafter will be based on the share capital and share premium account of each company as at August of each year.

#### **UK Taxation**

**The information set out below relates to taxation applicable to the Group and to Shareholders and Warrantholders who are resident, or ordinarily resident, in the UK for tax purposes (and who, if individuals, are domiciled in the UK) who hold Shares and/or Warrants as an investment (and not as securities to be realised in the course of a trade). The information is based on existing law and HM Revenue & Customs practice and is, therefore, subject to any subsequent changes. The information is given by way of general summary only and does not constitute legal or tax advice to any person. If you are in any doubt about your tax position or if you may be subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.**

#### **Utilico and Utilico Finance**

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

#### **UK Shareholders and Warrantholders**

##### ***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 chargeable to UK income tax at the dividend rate. Such a Shareholder is not currently entitled to a tax credit in the UK in respect of a dividend received from Utilico. For such Shareholders who are liable to income tax at the starting or basic rates, dividends received from Utilico will be liable to UK income tax at the dividend ordinary rate, currently 10 per cent. of the dividend paid. For individual Shareholders who are liable to income tax at the higher rate, dividends received from Utilico will be subject to UK income tax at the dividend higher rate, currently 32.5 per cent. of the dividend paid.



The UK government has announced its intention to introduce legislation to grant a non-payable tax credit (subject to certain financial limits) to UK resident or ordinarily resident individuals who are in receipt of dividends from non-UK resident companies. If such legislation is enacted, it would bring the taxation of dividends received from Utilico by individual Shareholders who are resident or ordinarily resident in the UK more closely into line with the taxation of dividends received from UK resident companies by such Shareholders, in that the effect of the tax credit would be to reduce the effective rate of income tax payable in respect of such dividends down from 32.5 per cent. of the dividend received to 25 per cent. of the dividend received. However, there can be no guarantee that these proposals will be enacted, and even if they are enacted the current proposals are only for the tax credit to be available for dividends paid after 5 April 2008.

A UK resident corporate Shareholder will be liable to UK corporation tax in respect of the dividends paid by Utilico.

### ***UK Taxation of Capital Gains***

In the case of those UK resident or ordinarily resident Shareholders who are individuals or otherwise not within the charge to corporation tax, UK capital gains tax may be payable on a disposal of Shares (including on redemption of the Utilico Finance ZDP Shares). Taper relief may be available to reduce the amount of any chargeable gain on disposal. Individual Shareholders are entitled to an annual exemption from capital gains. For the 2007/2008 tax year this is £9,200.

Exercise of the Warrants by a UK resident or ordinarily resident Warrantholder will not constitute a disposal for the purposes of UK taxation of chargeable gains. Any sale or other realisation of the Warrants, or of the Shares acquired as a result of exercise of the Warrants, will constitute a disposal for the purposes of UK taxation of chargeable gains and may give rise to a liability to UK taxation of chargeable gains depending on the particular circumstances of the Shareholder or Warrantholder concerned. The base cost (if any) of the Warrants, together with the price paid on exercise, will form the base cost in computing any gain or loss arising on a subsequent realisation of the Shares so acquired.

Shareholders or Warrantholders 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 Shares or Warrants. Indexation allowance may apply to reduce any chargeable gain but will not create or increase an allowable loss.

It is not anticipated that either of Utilico or Utilico Finance would be regarded as a close company if it were resident in the UK. Therefore, capital gains realised by either company should not be attributed to Shareholders or Warrantholders under section 13 of the Taxation of Chargeable Gains Act 1992. It is expected that at Admission, GPLPF will hold over 50 per cent. of the issued Utilico Shares assuming full conversion of all CULS. Utilico has undertaken that in the event that it becomes aware that it, or Utilico Finance would be a close company (if it were resident for tax purposes in the UK) it will, as soon as is reasonably practicable, notify Shareholders and Warrantholders of this fact.

### ***Other UK Taxation Matters***

The Directors intend to manage Utilico's and Utilico Finance's affairs such that neither of them should be regarded as a collective investment scheme for the purposes of section 235 Financial Services and Markets Act 2000 (as deemed to be amended for tax purposes under prospective legislation presently contained in the Finance Bill 2007). On this basis, an investment in Utilico or Utilico Finance should not be regarded as a material interest in an offshore fund for the purposes of sections 756A to 764 of the Income and Corporation Taxes Act 1988 (the "Taxes Act"). On this basis, gains realised on such holdings should not be subject to tax as income under that legislation.

A UK resident corporate Shareholder who, together with connected or associated persons, would, broadly, be entitled to at least 25 per cent. of the profits of Utilico or Utilico Finance were such profits to be distributed, should note the provisions of the controlled foreign companies legislation contained in sections 747 to 756 of the Taxes Act.

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

### *Non-UK Shareholders and Warrantholders*

Shareholders or Warrantholders 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 Shares or Warrants are connected will not normally be liable to UK taxation on capital gains arising on the sale or other disposal of their Shares or Warrants. However, non-UK Shareholders and Warrantholders will need to take specific professional advice about their individual tax position.

### *Individual Savings Accounts (ISAs) and Personal Equity Plans (PEPs)*

Utilico Shares and Utilico Finance ZDP Shares will be eligible to be held in the stocks and shares component of an ISA or an existing PEP subject to applicable subscription limits, and provided that the ISA or PEP manager has been issued the Utilico Shares or Utilico Finance ZDP Shares under the Scheme or acquired them through the secondary market following Admission. Utilico Finance ZDP Shares which are acquired pursuant to the Placing will not be eligible for inclusion in an ISA or PEP although Utilico Finance ZDP Shares acquired through the Offer will be eligible. Neither Utilico 2008 Warrants nor Utilico 2012 Warrants will be eligible for inclusion in a PEP or ISA.

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

No UK Stamp Duty will be payable on the issue or transfer of Shares or Warrants provided that transfers are not executed within, or in certain cases brought into, the UK. Provided that Shares and Warrants are not registered in any register of Utilico or Utilico Finance kept in the UK, any agreement to transfer the Shares or Warrants should not be subject to SDRT.

Where depositary interests in Shares or Warrants 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.

## **New Zealand Taxation**

### ***The Group***

Utilico and Utilico Finance will be non-resident for New Zealand tax purposes and will therefore be subject to New Zealand tax on New Zealand sourced income only.

New Zealand sourced income will include dividends received from Utilico’s shareholding in a New Zealand resident company. However, no New Zealand tax will be payable on such dividends to the extent they represent profits already subjected to New Zealand tax (that is they are paid as fully imputed dividends). Any New Zealand tax that Utilico pays will not be available to Utilico’s or Utilico Finance’s New Zealand investors as imputation credits attached to distributions.

Utilico will not be subject to New Zealand tax on gains made on the realisation of any of its New Zealand equity portfolio. However, realized gains on New Zealand equities distributed upon the liquidation of a holding company will be subject to withholding tax of 30 per cent..

### ***New Zealand resident Shareholders***

**Information describing how New Zealand taxation rules are likely to affect returns to New Zealand resident Shareholders and Warrantholders in the Group is set out below. It is based on current taxation law and its interpretation in New Zealand. It is neither an exhaustive nor a definitive summary. The level and basis of taxation changes frequently and individual circumstances may vary the New Zealand tax treatment of investments between investors.**

New Zealand introduced a new regime for the taxation of interests in portfolio holdings (less than 10 per cent.) of foreign shares on 1 April 2007. If an individual New Zealand Shareholder has interests in foreign shares of less than 10 per cent. (excluding Australian shares on an approved index of the ASX and Australian unit trusts meeting certain requirements) exceeding \$50,000 in cost price (or 50 per cent. of the value on 1 April 2007 of all shares acquired prior to 1 January 2000), then they and all other New Zealand Shareholders will be required to treat an investment in the Group under the Fair Dividend Return (“FDR”) method which would tax 5 per cent. of the market value of Utilico or Utilico Finance on 1 April 2008 or the average market value over the year if the Shareholder is a unit valuer and thereafter for each year they hold the investments. If the actual gain on their whole offshore share

portfolio plus any distributions is less than this, then a Shareholder that is an individual or qualifying trust may return that lower amount provided it is capped at zero under the comparative value (“CV”) method.

If an interest in the Group is bought and sold in the same income year, the lesser of 5 per cent. of the cost of any shares bought and sold in the same income year and the actual gain made on such “quick sales” must be returned as income.

Dividends declared by Utilico or Utilico Finance will only be taxable for Shareholders who are within the NZ\$50,000 threshold.

A New Zealand resident Shareholder should not be subject to tax on proceeds from the sale of Shares or Warrants if that sale occurred at a time when the Shares were required to be reported under the FDR method but if they were not required to be reported under the FDR method, then they should also not be subject to tax unless the Shareholder acquired the Shares or Warrants with the purpose of sale or the Shareholder carries on a business of dealing in shares or similar property, or the sale of Shares or Warrants is an act done in the carrying on of a business. However, the quick sales tax (discussed above) may apply if Shares were acquired after 1 April 2007 then sold in the same income tax year.

The bonus issue of the Utilico 2012 Warrants following the Scheme will have no tax impact unless they are held as at 1 April 2008 and each 1 April thereafter where FDR applies.

**New Zealand resident Shareholders or Warrantholders should seek professional advice on the tax implications of holding their interests, or otherwise selling their interests.**

*Non-New Zealand resident Shareholders*

Non-New Zealand resident Shareholders will not be subject to New Zealand tax on any dividends or gains on sale of shares in Utilico or Utilico Finance.

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

## PART 6

### GENERAL INFORMATION

#### 1 Responsibility

The Directors and each of Utilico and Utilico Finance accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and each of Utilico and Utilico Finance (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2 Listing

- 2.1 Applications will be made to the UK Listing Authority and London Stock Exchange for the Utilico Shares, Utilico Warrants and Utilico Finance ZDP Shares issued and to be issued in connection with the Scheme, the Placing and Offer and Bonus Issue to be admitted to 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 Utilico Shares, Utilico 2008 Warrants and Utilico Finance ZDP Shares will commence, on 20 June 2007. It is expected that dealings in the Utilico 2012 Warrants will commence on 20 June 2007, or as soon as practicable thereafter.
- 2.2 Save in respect of the Issues and the Placing and Offer, none of the Shares or Warrants have been marketed or are available in whole or in part to the public in conjunction with the application for the Shares and Warrants to be admitted to the Official List.
- 2.3 A copy of this document, which comprises a prospectus relating to Utilico and Utilico Finance 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*

- 3.1.1 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.
- 3.1.2 Utilico operates under the Bermuda Companies Act, but is otherwise not regulated.
- 3.1.3 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.
- 3.1.4 Save for its entry into the material contracts summarised in paragraph 7 of this Part 6 and certain non-material contracts, since its incorporation Utilico has not traded or incurred any borrowings.

##### 3.2 *Utilico Finance*

- 3.2.1 Utilico Finance 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 39479.
- 3.2.2 Utilico Finance operates under the Bermuda Companies Act, but is otherwise not regulated
- 3.2.3 Utilico Finance's registered office is in Bermuda and is located at Canon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda. Utilico Finance's telephone number is 00 1441 295 2244.
- 3.2.4 Save for its entry into the material contracts summarised in paragraph 7 of this Part 6 and certain non-material contracts, since its incorporation Utilico Finance has not traded or incurred any borrowings.

## 4 Share Capital

### 4.1 Utilico

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 held by Utilico Investment Trust will be gifted to Utilico and cancelled by Utilico shortly after Admission.

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 The authorised and issued share capital of Utilico will upon Admission be:

<i>Authorised</i>		<i>Issued and to be issued fully paid</i>	
<i>£</i>	<i>Number</i>	<i>£</i>	<i>Number</i>
12,747,950	127,479,500	Utilico Shares of 7,973,480	79,734,800

The above table assumes that the 79,734,800 Utilico Investment Trust Ordinary Shares in issue on the Effective Date includes 14,565,284 Utilico Investment Trust Ordinary Shares issued to holders of the CULS on the basis that all the CULS are converted into Utilico Investment Trust Ordinary Shares prior to the implementation of the Scheme.

4.1.4 At Admission and immediately following the Bonus Issue of Utilico 2012 Warrants, Utilico will have 12,329,479 Utilico 2008 Warrants in issue and (assuming that all the outstanding CULS are converted prior to implementation of the Scheme) 3,617,481 Utilico 2012 Warrants in issue entitling the holders thereof to subscribe for one Utilico Share for every Warrant so held.

4.1.5 The ISIN number of the Utilico Shares is BMG9314Y1003, of the Utilico 2008 Warrants is BMG9314Y1185 and of the Utilico 2012 Warrants is BMG9314Y1268.

4.1.6 The liability of Utilico Shareholders is limited to the amount payable in respect of the Utilico Shares held by them.

4.1.7 The rights attaching to the Utilico Shares are set out in paragraph 6 of this Part 6.

4.1.8 Save pursuant to the Issues and the Placing and Offer, the Bonus Issue, the Utilico 2008 Warrant Instrument and the Utilico 2012 Warrant Instrument, since the date of incorporation no share or loan capital of Utilico has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by Utilico in connection with the issue of any such capital.

4.1.9 Save pursuant to the Utilico 2008 Warrant Instrument or Utilico 2012 Warrant Instrument, no share or loan capital of Utilico is under option or has been agreed, conditionally or unconditionally, to be put under option.

4.1.10 The Utilico Bye-laws authorise the Directors to allot an unlimited number of Utilico Shares, Utilico 2008 Warrants and Utilico 2012 Warrants, without pre-emption rights applying for existing Utilico Shareholders or Utilico 2008 Warrantholders.

4.1.11 A resolution of Utilico has been passed granting Utilico authority to make market purchases of up to 14.99 per cent. of the Utilico Shares in issue at Admission, such authority to expire on the earlier of 31 December 2008 and the conclusion of the first annual general meeting of Utilico in 2008. 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 values of the Utilico Shares, Utilico 2008 Warrants and Utilico 2012 Warrants 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 on a diluted basis (as determined by the Utilico Directors on a date falling not more than 10 days before the date of purchase).

4.1.12 As of the date of this document, Utilico has no listed or unlisted securities not representing share capital.

4.1.13 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.

## 4.2 *Utilico Finance*

4.2.1 At the date of incorporation, Utilico Finance had an authorised share capital of £1 comprising one share of £1 that was issued nil paid to Utilico.

4.2.2 On 9 May 2007, by written resolution, Utilico Finance sub-divided its existing issued share capital into ten ordinary shares of 10p each and increased its existing authorised share capital from £1 to £16,059,220 by the creation of:

- (a) 60,592,190 Utilico Finance 2012 ZDP Shares of 10p each;
- (b) 50,000,000 Utilico Finance 2014 ZDP Shares of 10p each; and
- (c) 50,000,000 Utilico Finance 2016 ZDP Shares of 10p each.

4.2.3 The authorised and issued share capital of Utilico Finance will upon Admission be:

<i>Authorised</i>			<i>Issued and to be issued fully paid</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
1	10	ordinary shares of 10p each	1	10
6,059,219	60,592,190	Utilico Finance 2012 ZDP Shares of 10p each	4,548,620	45,486,200
5,000,000	50,000,000	Utilico Finance 2014 ZDP Shares of 10p each	3,750,000	37,500,000
5,000,000	50,000,000	Utilico Finance 2016 ZDP Shares of 10p each	3,750,000	37,500,000

The above table assumes that in aggregate 45,486,200 Utilico Finance 2012 ZDP Shares are issued pursuant to the Scheme and a further 37,500,000 Utilico Finance 2014 ZDP Shares and 37,500,000 Utilico Finance 2016 ZDP Shares are issued under the Placing and Offer.

4.2.4 The ISIN number of the Utilico Finance 2012 ZDP Shares is BMG931261033, of the Utilico Finance 2014 ZDP shares is BMG931261116 and of the Utilico Finance 2016 ZDP Shares is BMG931261298.

4.2.5 The liability of holders of the ordinary shares in the capital of Utilico Finance and Utilico Finance ZDP Shareholders is limited to the amount payable in respect of those ordinary shares and Utilico Finance ZDP Shares held by them respectively.

4.2.6 The rights attaching to the ordinary shares in the capital of Utilico Finance and rights attaching to the Utilico Finance ZDP Shares are set out in paragraph 6 of this Part 6.

- 4.2.7 Save pursuant to the Issues and the Placing and Offer and as disclosed in this paragraph in relation to the ordinary shares in the capital of Utilico Finance, since the date of incorporation no share or loan capital of Utilico Finance has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by Utilico Finance in connection with the issue of any such capital.
- 4.2.8 No share or loan capital of Utilico Finance is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 4.2.9 The Utilico Finance Bye-laws authorise the Directors to allot an unlimited number of Utilico Finance ZDP Shares without pre-emption rights applying for existing Utilico Finance Shareholders.
- 4.2.10 A resolution of Utilico Finance has been passed granting Utilico Finance authority to make market purchases of up to 14.99 per cent. of the Utilico Finance ZDP Shares in issue at Admission, such authority to expire on the earlier of 31 December 2008 and the conclusion of the first annual general meeting of Utilico Finance in 2008. 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 values of the of the Utilico Finance ZDP 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 Listing Rules and the Bermuda Companies Act. In any event no purchase of Utilico Finance ZDP Shares will be made at a price in excess of 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 Utilico Finance ZDP Shareholders.
- 4.2.11 As of the date of this document, Utilico Finance has no listed or unlisted securities not representing share capital.

## 5 Directors' and other interests

- 5.1 The interests of the Directors and the persons connected (within the meaning of section 346 of the UK Companies Act 1985) with them (all of which will be beneficial) in the share capital of Utilico and Utilico Finance will, immediately following Admission, be as follows (assuming full conversion of outstanding CULS and that no Utilico Finance 2014 and 2016 ZDP shares are issued under the Placing and Offer):

<i>Name</i>	<i>Utilico Shares</i>	<i>Percentage of Utilico's issued ordinary share capital</i>	<i>Utilico 2008 Warrants</i>	<i>Utilico Finance ZDP Shares</i>	<i>Percentage of Utilico Finance's issued 2012 zero dividend preference share capital</i>
Michael Collier	—	—	—	—	—
Eric Stobart	3,500	0.0	—	—	—
Roger Urwin	120,371	0.2	14,799	68,233	0.2
Susan Hansen	—	—	—	—	—
Warren McLeland	—	—	—	—	—

- 5.2 Each of the Directors acts pursuant to letters of appointment with each of Utilico and Utilico Finance dated 3 May 2007.
- 5.3 The aggregate of the remuneration to be paid to the Directors by Utilico for the Group's first financial period from incorporation to 30 June 2007 is not expected to exceed a value of £20,000 and the maximum annual amount permitted under the Utilico Bye-laws is £200,000. Future amounts of remuneration to be paid to the Directors in consideration for their services to the Group will be determined by the Board in accordance with the Utilico Bye-Laws. Utilico Finance will not be liable to pay any additional fees to the Directors in respect of their appointments as Utilico Finance Directors.

- 5.4 There are no existing or proposed service contracts between any of the Directors and Utilico or Utilico Finance. No member of the management body of Utilico or Utilico Finance (being their respective Boards) has a service contract which provides for benefits on termination of employment.
- 5.5 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by either Utilico or Utilico Finance. Utilico will ensure that appropriate levels of directors and officers' liability insurance for the benefit of the Directors are in place.
- 5.6 There are no actual or potential conflicts of interest between the duties of the Directors to Utilico and/or Utilico Finance and their respective private interests or other duties.
- 5.7 Some of the Directors are also directors of, and shareholders in, Utilico Investment Trust and therefore have an interest in the Transfer Agreement, details of which are given at paragraph 7.10 of this Part 6, under which assets held by Utilico Investment Trust will be transferred to Utilico and Utilico Finance.
- 5.8 Save as disclosed in this paragraph 5, 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.
- 5.9 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	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. United Insurance Ltd. Utilico Emerging Markets Limited* Windsong Management Bermuda Limited	Indigo Trust Limited
Eric Stobart	A E Grant (Underwriting Agencies) Limited Advent Capital (Holdings) plc Adviser (132) Limited Adviser (177) Limited Classic Southdown Omnibuses Limited CMGL Syndicate Management Limited Falcon Managers Limited GF One Limited GF Two Limited Hill Samuel Bank 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 Hill Samuel Overseas Holdings Limited Hirefell Limited Lloyds TSB Group Pension Trust (No 1) Limited Lloyds TSB Group Pension Trust (No 2) Limited	Central and European Culturemasters Training Limited Reinsurance Services Limited Standfast Insurance Services Limited Tenon Group plc The London Bus Preservation Trust Limited



<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Former directorships/partnerships</i>
	Lloyds TSB Group Pension Trustee Services Limited London Handel Society Limited Millspires Limited MJ Gleeson Group plc Reamhurst Properties Limited The Stroke Association The Throgmorton Trust plc Utilico Investment Trust plc Wood Street Finance (No 1) Limited	
* Mr. Collier shall resign from Utilico Emerging Markets Limited before Admission.		
Roger Urwin	Alfred McAlpine plc Canadian Utilities Limited	The Special Utilities Investment Trust plc National Grid plc National Grid Transco plc
Susan Hansen	Susan Hansen Limited	Finmedia Limited
Warren McLeland	Eclectic Investment Trust Intellect Holdings Limited RESIMAC Limited Trust Company of Australia Limited Wilsons HTM Investment Group Limited	—

5.10 Save as disclosed in paragraph 5 of this Part 6, 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.

5.11 Susan Hansen was a director of Finmedia Limited when it was placed into members voluntary liquidation in 2006 with no deficiency to creditors.

- 5.12 Other than those persons set out below, Utilico and Utilico Finance are not aware of any persons holding, directly or indirectly, 3 per cent. or more of Utilico's or Utilico Finance's issued share capital or any person who will hold directly or indirectly, 3 per cent. or more of Utilico's or Utilico Finance's issued share capital after Admission (assuming full conversion of all outstanding CULS and that no Utilico Finance 2014 or 2016 ZDP Shares are issued under the Placing and Offer):

	<i>Percentage of Utilico's issued ordinary share capital*</i>	<i>Percentage of Utilico Finance's issued 2012 zero dividend preference share capital</i>
General Provincial Life Pension Fund (L) Limited	51.5	—
Foreign & Colonial Investment Trust PLC	11.2	8.4
F&C Management Limited**	9.9	9.9
Rensburg Sheppards Investment Management Limited	—	18.3
New Star Diversified Strategic Capital Unit Trust	—	8.3
Investec Asset Management Limited	—	8.0
NW Brown Nominees	—	5.5
CG Portfolio Fund Limited	—	5.0
Milton Special Situations Fund	—	4.0

\* On a diluted basis assuming full conversion of all outstanding CULS.

\*\* The holdings of F&C Management Limited comprise 1,836,670 Utilico Shares and 1,365,961 Utilico Finance 2012 ZDP Shares held on behalf of discretionary clients and 5,299,843 Utilico Shares and 3,134,725 Utilico Finance 2012 ZDP Shares held on behalf of non-discretionary clients through the F&C Savings Schemes. F&C Management Limited also has an interest in the shares held by Foreign & Colonial Investment Trust PLC by virtue of its relationship as investment manager. Friends Provident plc, as the ultimate parent company of F&C Management Limited, is also deemed to have an interest in both of these holdings.

Utilico will hold all of the issued ordinary shares in the capital of Utilico Finance which will entitle it to exercise control over Utilico Finance.

- 5.13 Save in respect of GPLPF whose interest is set out in paragraph 5.12 above and for Utilico in relation to Utilico Finance, neither Utilico nor Utilico Finance is 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 Utilico Finance or immediately following Admission will exercise or would be able to exercise control over Utilico or Utilico Finance.
- 5.14 No Shareholders or Warrantholders will 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 in the Group.

## 6 Bye-laws

- 6.1 Pursuant to written resolutions passed on 9 May 2007, each of Utilico's and Utilico Finance's principal object shall be to carry on business as an investment company. The objects of Utilico and Utilico finance are contained in their respective memoranda of association which are available for inspection at the address specified in paragraph 14 of this Part 6.
- 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 payable shall, if the Board resolves, 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;

- (b) second, there shall be paid to the holders of the Utilico Shares, after the payments to Utilico Finance which Utilico is obliged to make under the Subscription Agreement equal to the amounts which Utilico Finance is liable to pay to the holders of the Utilico Finance 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 Utilico Finance 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 Utilico Finance 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 Utilico 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 Utilico Finance 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 Utilico Finance 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 Utilico 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 Utilico Finance Directors 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 Utilico Finance ZDP Shares or otherwise) which would enable the holders of the

Utilico Finance 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 Utilico 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 Utilico Finance 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.

6.3 The Utilico Finance Bye-laws contain provisions, *inter alia*, to the following effect:

6.3.1 *Income*

- (a) The ordinary shares of 10p each in the capital of Utilico Finance carry the right to receive the revenue profits of Utilico Finance available for distribution (excluding any sums paid to Utilico Finance by Utilico under the Subscription Agreement) and determined to be distributed by way of dividend at such times as the Utilico Finance Directors may determine.
- (b) The Utilico Finance ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.

6.3.2 *Capital*

- (a) On a return of assets, on a liquidation or otherwise, the surplus assets of Utilico Finance after payment of all debts and satisfaction of all liabilities (including the payment of the capital entitlement of each class of Utilico Finance ZDP Share calculated as at the date of the liquidation), shall be paid to the holders of the ordinary shares of 10p each in the capital of Utilico Finance *pro rata* to the number of Utilico Shares then held by them.
- (b) The Utilico Finance ZDP Shares will not pay dividends but they will have a final capital entitlement at the end of their respective lives as follows:
  - (i) the Utilico Finance 2012 ZDP Shares will have a final capital entitlement at the end of their life on 31 October 2012 of 177.52p, equating to a 7 per cent. per annum gross redemption yield;
  - (ii) the Utilico Finance 2014 ZDP Shares will have a final capital entitlement at the end of their life on 31 October 2014 of 167.60p, equating to a 7.25 per cent. per annum gross redemption yield; and
  - (iii) the Utilico Finance 2016 ZDP Shares will have a final capital entitlement at the end of their life on 31 October 2016 of 192.78p, equating to a 7.25 per cent. per annum gross redemption yield.
- (c) On a liquidation of Utilico and/or Utilico Finance, to the extent that the relevant classes of Utilico Finance ZDP Shares have not already been redeemed, the shares shall rank in the following order of priority in relation to the repayment of their accrued capital entitlement as at the date of liquidation:
  - (i) the Utilico Finance 2012 ZDP Shares shall rank in priority to the Utilico Finance 2014 ZDP Shares and the Utilico Finance 2016 ZDP Shares; and
  - (ii) the Utilico Finance 2014 ZDP Shares shall rank in priority to the Utilico Finance 2016 ZDP Shares.

The entitlement of Utilico Finance ZDP Shareholders of a particular class shall be determined in proportion to their holdings of Utilico Finance ZDP Shares of that class.

### 6.3.3 Voting

- (a) The holders of the ordinary shares of 10p each in the capital of Utilico Finance shall have the right to receive notice of and to attend and vote at general meetings of Utilico Finance. Each holder of a Utilico Finance ordinary share being present at a meeting shall upon a show of hands have one vote and (subject as referred to in paragraph (e) below) upon a poll every such holder present in person or by proxy shall have one vote in respect of every Utilico Finance ordinary share held by him.
- (b) The holders of the Utilico Finance ZDP Shares shall have the right to receive notice of, but shall not have the right as such to attend or vote at, any general meeting of Utilico Finance except (but save as provided in paragraph (h) below):
  - (i) upon any resolution to alter, modify or abrogate the special rights or privileges attached to the Utilico Finance ZDP Shares; or
  - (ii) upon a Liquidation Resolution, Recommended Resolution and Reconstruction Resolution (as respectively defined in paragraphs (e), (f) and (g) below).

For the avoidance of doubt, the passing of a Liquidation Resolution, a Recommended Resolution or a Reconstruction Resolution or a resolution to increase the authorised share capital of Utilico Finance shall not be treated as an alteration, modification or abrogation of the rights attached to the Utilico Finance ZDP Shares.

- (c) Save as provided in paragraphs (f) and (g) below, Utilico Finance may not, without the previous sanction of an extraordinary resolution passed at a separate general meeting of each class of Utilico Finance ZDP Shareholders convened and held in accordance with the provision of the Utilico Finance Bye-laws:
  - (i) subject to paragraph (d) below, issue, and it shall, so far as it is able, procure that Utilico shall not, issue any further shares or rights to subscribe for further shares or convert any securities into shares in any member of the Group 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 Utilico Finance ZDP Shares;
  - (ii) pass 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) pass 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) pass a resolution amending the provisions of the Utilico Finance Bye-laws summarised in this paragraph 6.3.3;
  - (v) pass a resolution authorising the Utilico Finance Directors to pay a dividend or other distribution out of the capital reserves of Utilico Finance; or
  - (vi) make 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 Utilico Finance ZDP Shares which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the existing Utilico Finance ZDP Shareholders,

provided that no such sanction will be required for the passing of any resolution authorising Utilico Finance to purchase any Utilico Finance ZDP Shares where such shares may only be purchased at prices at or below their prevailing accrued capital entitlement (as determined by the Utilico Finance Directors 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 Utilico Finance ZDP Share if the

Utilico Finance Directors determine this to be in the interests of Utilico Finance ZDP Shareholders, or for any purchase of such Utilico Finance ZDP Shares in accordance with any such resolution.

- (d) Notwithstanding paragraph (c)(i) above, any member of the Group may, subject as provided in the relevant company's bye-laws, issue any further shares or rights to subscribe for further shares or convert any securities into shares 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 Utilico Finance ZDP Shares provided that the Directors shall have calculated and Utilico's and Utilico Finance'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 Utilico Finance 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 and 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 Utilico Finance 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 Utilico's 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 any member of the Group, less current liabilities (not including contingent liabilities) of the Group (other than principal monies borrowed), each as determined by the Utilico Directors. The Calculation Date, for the purpose of this paragraph (d) 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:
- (i) use the gross assets of the Group at the most recent practicable date before the Calculation Date;
  - (ii) 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;
  - (iii) adjust the gross assets of the Group by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;
  - (iv) take account of the entitlements to be attached to the new shares or securities or rights to be issued;
  - (v) aggregate the final capital entitlement of all the existing Utilico Finance 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;
  - (vi) 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
  - (vii) 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;

- (e) If all of the relevant Utilico Finance 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 Utilico Finance 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 Utilico Finance Directors shall (i) exercise the right of Utilico Finance under the Subscription Agreement to convene a special general meeting of Utilico at which a resolution shall be proposed requiring that Utilico shall be wound up voluntarily pursuant to the Bermuda Companies Act and (ii) convene a special general meeting of Utilico Finance to be held on the same date as the special general meeting to be convened by Utilico in accordance with Subscription Agreement at which a resolution (the “Liquidation Resolution”) shall be proposed requiring that Utilico Finance 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 those holders of Utilico Finance ZDP Shares who (being individuals) are present in person or by proxy or (being corporations) are present by proxy or by duly authorised representative and entitled to vote and who vote in favour of the Liquidation Resolution shall, on a poll, have such number of votes in respect of each share held by them (including fractions of a vote) 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.
- (f) If an offer is made to all holders of Utilico Finance 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 Utilico Finance 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 Utilico Finance 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 Finance 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 Utilico Finance Directors 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 paragraph (e) above shall not apply and at any special general meeting of Utilico Finance or separate general meeting of the holders of the Utilico Finance ZDP Shares held between the date of making such recommendation and the relevant Utilico Finance ZDP Repayment Date (both dates inclusive) the provisions relating to voting in sub-paragraph (h) below shall apply to any resolution or resolutions recommended by the Directors (a “Recommended Resolution”) and stated to be, in the opinion of the financial adviser appointed by the Directors, fair and reasonable.
- (g) If at any special general meeting of Utilico Finance held on or prior to any Utilico Finance ZDP Repayment Date there is proposed any resolution (a “Reconstruction Resolution”) to sanction any form of arrangement (whether involving the winding-up of Utilico Finance, the redemption of the Utilico Finance ZDP Shares or otherwise) which would enable the holders of the Utilico Finance 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 Utilico Finance 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 Finance 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 Utilico Finance

ZDP Shareholders may be given to elect to receive any entitlement otherwise than in cash pursuant to the arrangement) then the provisions of paragraph (e) above shall not apply and the provisions relating to voting in sub-paragraph (h) below shall apply in respect of any Reconstruction Resolution.

- (h) Where any resolution or resolutions are proposed pursuant to the provisions of the Utilico Finance Bye-laws referred to in paragraph (f) or (g) above:
  - (a) the holders of the ordinary shares of 10p each in the capital of Utilico Finance present in person or by proxy and entitled to vote and who vote (whether for or against) on such resolution at any special general meeting of Utilico Finance shall, on a poll, have for each such ordinary share such number of votes as is equal to four times the number of votes cast in aggregate by the holders of the Utilico Finance ZDP Shares; and
  - (b) those holders of Utilico Finance ZDP Shares present in person or by proxy and entitled to vote and who vote in favour of such resolution at a separate general meeting of the holders of Utilico Finance ZDP Shares shall, on a poll, have such number of votes in respect of shares held by them (including fractions of a vote) so that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of such shares in respect of which votes are cast against the resolution and each holder of Utilico Finance ZDP Shares present in person or by proxy and entitled to vote who votes against such resolution shall, on a poll, have one vote for each share held by him, provided that, if any term of any offer or arrangement referred to in paragraph (f) or (g) above (as regards any one or more holders of Utilico Finance ZDP Shares) shall have been breached (other than by such holder(s)) in any material respect of which the chairman of the meeting has received written notice prior to the commencement of such meeting, each holder shall, at any such meeting at which such holder is present in person or by proxy and entitled to vote, on a poll, have one vote for each such share held by him.
- (i) Where by virtue of the provisions of the Utilico Finance Bye-laws, the holders of Utilico Finance ZDP Shares are entitled to vote, every such holder present at a meeting shall upon a show of hands have one vote and (subject as referred to in paragraph (h) above) upon a poll, every such holder present in person or by proxy shall have one vote in respect of each Utilico Finance ZDP Share held by him.

#### 6.3.4 *Redemption*

- (a) Utilico Finance shall (subject to the provisions of the Bermuda Companies Act) redeem all the outstanding Utilico Finance ZDP Shares in each class on or within 14 days before the relevant Utilico Finance ZDP Repayment Date.
- (b) On the redemption of Utilico Finance ZDP Shares in accordance with this paragraph 6.3.4, there shall be paid to the holders of the relevant class of Utilico Finance ZDP Shares an amount equal to the accrued capital entitlement per Utilico Finance ZDP Share determined in accordance with paragraph 6.3.2 above.
- (c) Any redemption notice shall specify the redemption amount and the address at which certificates for Utilico Finance ZDP Shares are to be surrendered for redemption. A redemption notice may not be withdrawn without the prior class consent of the holders of the Utilico Finance ZDP Shares concerned. No defect in the redemption notice or in the giving thereof shall affect the validity of the redemption proceedings.
- (d) Unless otherwise determined by the Board, payments in respect of the amount due on redemption of Utilico Finance ZDP Shares shall be made by sterling cheque drawn



on a bank in the City of London or, upon the request of the holder or joint holders, by transfer to a sterling account maintained by the payee with a bank in the City of London. Such payment will be made against surrender of the relevant certificate in the case of certificated Utilico Finance ZDP Shares or, if the relevant certificate has been lost or destroyed, the giving of an appropriate indemnity in a form satisfactory to the Board, provided that the Board may determine that surrender of certificates shall not be required, in which event each certificate shall be void and of no effect as from the date of payment of the amount due on the redemption of the Utilico Finance ZDP Shares to which the certificate relates.

- 6.4 The following provisions appear in the Utilico Bye-laws and the Utilico Finance Bye-laws except where otherwise stated and references to “Bye-laws” shall be to the Utilico Bye-laws and the Utilico Finance Bye-laws as the context may require. References to the company in the following paragraphs are to Utilico or Utilico Finance as the context may require.

6.4.1 *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 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.

6.4.2 *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, redemption, conversion into ordinary shares, voting or otherwise, as the Board may determine on or before allotment.
- (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. There are no provisions of Bermuda law equivalent to sections 89 to 90 of the UK Companies Act 1985 which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash.
- (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.

6.4.3 *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.

#### 6.4.4 *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.

#### 6.4.5 *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 US Investment Companies Act of 1940, as amended or other US law.

#### 6.4.6 *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.

#### 6.4.7 *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 or Utilico Finance, 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.

#### 6.4.8 *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 by the Group 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.

#### 6.4.9 *Retirement of Directors*

- (a) Directors shall be subject to retirement by rotation and any Director who so retires shall be eligible for re-appointment. All directors will retire at the 2008 annual general meeting, and thereafter a third of the directors will retire at each successive annual general meeting. Any Director who at an annual general meeting of Utilico or Utilico Finance (as the case may be) shall have been a Director of each of the preceding two annual general meetings of Utilico or Utilico Finance (as the case may be) 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.

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

- (a) Subject to the rights of persons entitled to shares with special rights as to dividends, the company in general meeting may declare a dividend but no dividend shall exceed the amount recommended by the Directors.
- (b) No dividend shall be paid other than from the profits (including for the avoidance of doubt all gross revenues) resulting from the company's business.
- (c) 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. Utilico Finance ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.
- (d) 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 on the earlier of (1) 12 years from the date when it first became payable or (2) the date on which Utilico is wound up, shall be forfeited automatically, without the necessity for any declaration or other action by Utilico.
- (e) 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.
- (f) 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 special 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.

#### 6.4.11 *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 6.

#### 6.4.12 *Register of Shareholders and Warrantholders*

The register of Shareholders and Warrantholders 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 and Warrantholders will be kept in Jersey.

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

#### 6.4.13 *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**

The following contracts, not being contracts entered into in the ordinary course of business, have been or will be entered into by Utilico and/or Utilico Finance since their respective incorporations and are, or may be, material or are contracts which have been or will be entered into by Utilico and/or Utilico Finance and contain any provisions under which Utilico and/or Utilico Finance have/has any obligation or entitlement which is material to Utilico and/or Utilico Finance as at the date of this document:

### **7.1 *Subscription Agreement***

A subscription agreement (the "Subscription Agreement") dated 14 May 2007 has been entered into between Utilico and Utilico Finance pursuant to which, in consideration for Utilico Finance agreeing to transfer to Utilico the assets which are transferred to it pursuant to the Transfer Agreement and to advance the gross proceeds of any issue of Utilico Finance ZDP Shares to Utilico less any sums deducted therefrom in accordance with the Placing and Offer Agreement, Utilico will undertake 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 to satisfy the final capital entitlement of the Utilico Finance 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:

- 7.1.1 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 any of the matters referred to in paragraph 6.3.3(c) above without the previous sanction of a special resolution of the holders of each class of Utilico Finance ZDP Shares passed at separate general meetings of such holders;
- 7.1.2 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 Utilico Finance ZDP Shareholders under the Utilico Finance Bye-laws or otherwise as required by law without such sanction having been obtained;
- 7.1.3 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 Utilico Finance as constituted from time to time comprises the same individuals who form the Board of Utilico;
- 7.1.4 that, except with such sanction as aforesaid, it will not make any distribution to the Utilico Shareholders in excess of the amount of its net revenues and revenue reserves nor will it make any repayment of capital to the Utilico 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;
- 7.1.5 that it will have due regard to the interests of the Utilico Finance ZDP Shareholders as described in this document;
- 7.1.6 that if all of the relevant Utilico Finance 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 Utilico Finance 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;
- 7.1.7 that it shall not, without the previous sanction of a special resolution of the holders of each class of Utilico Finance ZDP Shares passed at separate general meetings of such holders undertake any of the following matters:
  - (a) 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 Utilico Finance ZDP Shares unless the Utilico Directors shall have calculated and Utilico's financial adviser shall have reported to the Utilico 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 Utilico Finance 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 Utilico Finance 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 Utilico Directors. The Calculation Date, for the purpose of this paragraph 7.1.7(a) 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 Utilico Directors shall where available:

- (i) use the gross assets of Utilico at the most recent practicable date before the Calculation Date;
- (ii) 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;
- (iii) adjust the gross assets of Utilico by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;
- (iv) take account of the entitlements to be attached to the new shares or securities or rights to be issued;
- (v) aggregate the final capital entitlement of the existing Utilico Finance 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;
- (vi) 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
- (vii) make such other adjustments as they consider appropriate.

The Utilico 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

- (b) 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
- (c) 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
- (d) alter any objects set out in the Memorandum of Association of Utilico; or
- (e) pass any resolution which authorises or permits the Utilico 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
- (f) 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 Utilico 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 Utilico 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 Utilico finance ZDP Shares which the Utilico Finance Directors determine to make at or about the same time.

## **7.2 *Investment Management Agreement***

An Investment Management Agreement dated 14 May 2007 between Utilico, Utilico Finance and the Investment Manager (the “Investment Management Agreement”) under which Utilico and Utilico Finance have appointed the Investment Manager to provide it with portfolio monitoring, research and other investment management services. The Agreement is subject to termination on 6 months’ notice by Ingot and on 12 months’ notice by Utilico or Utilico Finance. The Investment 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 Investment Management Agreement, the Investment 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 (plus any applicable GST). For these purposes, assets invested in other funds or companies managed or advised by the Investment Manager or its subsidiaries are disregarded. The Investment Manager will also be reimbursed its out-of-pocket expenses, including reasonable travel and related costs. The Investment Manager is also entitled to a performance fee calculated on the basis described in Part 1 of this document under the heading “Fees and Expenses”. Ingot has the benefit of an indemnity from Utilico and Utilico Finance in relation to its liabilities incurred by Ingot in the discharge of its duties under the Investment Management Agreement other than those arising by reason of any fraud, wilful default, negligence on the part of Ingot.

## **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 £320,000 (plus applicable VAT) and a one-off set-up fee of £15,000. 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 Registrar Agreements**

A registrar agreement dated 14 May 2007 between Utilico and the Registrar pursuant to which Computershare Investor Services (Channel Islands) Limited has agreed to act as branch registrar to Utilico. Under the agreement the Registrar is entitled to a fee of £5,000 per annum. The agreement may be terminated on six months' notice by either party.

A registrar agreement dated 14 May 2007 between Utilico Finance and the Registrar pursuant to which Computershare Investor Services (Channel Islands) Limited has agreed to act as branch registrar to Utilico Finance. Under the agreement the Registrar is entitled to a fee of £5,000 per annum. The agreement may be terminated on six months' notice by either party.

#### **7.6 Depositary and Custody Services Agreements**

A depositary and custody services agreement dated 11 May 2007 between Utilico and the Depositary pursuant to which Computershare Investor Services PLC has agreed to act as CREST Agent and UK transfer agent to Utilico. Under the agreement, the Depositary is entitled to a set up and an annual fee of £7,000. After an initial term of one year, the agreement is terminable by either party on 6 months' notice.

A depositary and custody services agreement dated 11 May 2007 between Utilico Finance and the Depositary pursuant to which Computershare Investor Services PLC has agreed to act as CREST Agent and UK transfer agent to Utilico Finance. Under the agreement, the Depositary is entitled to a set up and an annual fee of £7,000. After an initial term of one year, the agreement is terminable by either party on 6 months' notice.

#### **7.7 RBS Loan Facility**

A £45 million multi-currency loan facility originally made between Utilico Investment Trust and The Royal Bank of Scotland plc ("RBS") dated 16 June 2003, subsequently restated on 25 February 2005 and subsequently amended by several subsequent amending agreements. The loan is split into six tranches, the final amount expiring on 16 August 2009. As at 31 December 2006, the borrowings under the RBS Loan Facility bore interest at a blended rate of 4.368 per cent. per annum. RBS has a floating charge over the assets of Utilico Investment Trust in respect of amounts owing under the RBS Loan Facility and a fixed charge over the assets of Utilico Investment Trust in respect of interest rate swaps, secured by a debenture dated 13 August 2003.

The Loan Facility will be novated to Utilico pursuant to an amendment and restatement and transfer and assumption agreement dated 11 May 2007 made between Utilico Investment Trust (as existing borrower), RBS (as lender) and Utilico (as new borrower) whereby RBS has agreed to discharge Utilico Investment Trust from its obligations as a borrower under the Loan Facility and provide Utilico with up to £45 million secured against Utilico's assets by way of debentures.

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

#### **7.8 ANZ Loan Facility**

A NZ\$30 million flexible rate term loan facility dated 30 September 2005 between Utilico NZ Limited and ANZ National Bank Limited ("ANZ") which includes an interest rate swap/interest rate options facility of NZ\$0.9 million and an overdraft and flexible credit facility of NZ\$0.5 million. The ANZ Loan Facility expires on 30 September 2008. The ANZ Loan Facility is secured by a charge over the assets of Utilico NZ Limited. As additional security for Utilico NZ Limited's obligations under the ANZ Loan Facility, Utilico has granted a put option to ANZ dated 8 May 2007 which requires Utilico to purchase the shares in Infratil Limited which are beneficially owned by Utilico NZ Limited and held by ANZ as security pursuant to the security arrangements between Utilico NZ Limited and ANZ. The put option may only be exercised by ANZ if there is an event of default by Utilico NZ Limited under the terms and conditions of the ANZ Loan Facility or any of the security documents or if ANZ enforces its rights under the security arrangements.

### 7.9 *Letters of Undertaking*

Pursuant to Letters of Undertaking dated 14 May 2007 Utilico and Utilico Finance will enter into the Transfer Agreement on or about the Effective Date.

### 7.10 *Transfer Agreement*

Immediately following Utilico Investment Trust entering into liquidation, Utilico Investment Trust, the proposed liquidators of Utilico Investment Trust (the “Liquidators”), Utilico and Utilico Finance will enter into the Transfer Agreement pursuant to which the assets of Utilico Investment Trust (other than those comprised in the Liquidation Fund) will be transferred to Utilico and Utilico Finance in consideration for the issue of Shares and Warrants. The Shares and Warrants will be allotted to the Liquidators as nominee and bare trustee and the Liquidators will renounce the Shares and Warrants in favour of Utilico Investment Trust’s Ordinary Shareholders, Utilico Investment Trust’s Warrantholders and Utilico Investment Trust’s ZDP Shareholders in accordance with their entitlements under the Scheme. The assets transferred to Utilico Finance will have a value at least equal to the nominal value of the Utilico Finance ZDP Shares to be issued pursuant to the Scheme so that those shares will have been paid up in full as to their nominal value in accordance with the Bermuda Companies Act. All the assets to be transferred to Utilico Finance will be transferred to Utilico in consideration of Utilico entering into the Subscription Agreement and agreeing to fund Utilico Finance’s redemption of the Utilico Finance ZDP Shares in accordance with the respective rights attaching to those shares.

### 7.11 *Placing and Offer Agreement*

The Placing and Offer Agreement dated 14 May 2007 between Utilico, Utilico Finance, Utilico Investment Trust, the Investment Manager and Arbuthnot Securities whereby Arbuthnot Securities has agreed, as agent for Utilico Finance to use its reasonable endeavours to procure subscribers for the Placing and Offer Shares under the Placing and to make the Offer. For its services in connection with the Placing and Offer, Arbuthnot Securities will be entitled to a corporate finance fee of £125,000 and a commission of 1.0 per cent. of the gross proceeds of the Placing and Offer. Under the agreement, which may be terminated by Arbuthnot Securities in certain limited circumstances prior to Admission, Utilico, Utilico Finance and the Investment Manager have agreed certain market standard warranties and indemnities to Arbuthnot Securities concerning, *inter alia*, the accuracy of the information in this document.

## **8 Overseas investors**

- 8.1 No action has been taken, to permit the distribution of this document in any jurisdiction outside the UK. This document may therefore 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. Accordingly, no person receiving a copy of this document in any territory other than the United Kingdom may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Shares or Warrants nor should he in any event acquire, subscribe for or purchase Shares or Warrants, unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Shares and/or Warrants should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.
- 8.2 The Shares and Warrants have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “Securities Act”) or under the applicable state securities laws of the United States and no steps have been or will be taken to qualify the Shares and Warrants for distribution in Japan or any province or territory of Canada and no prospectus in relation to the Shares or Warrants has been, or will be, lodged with or registered by the Australian Securities Commission. Accordingly, unless an exemption under the relevant securities laws is available, the Shares and Warrants may not be directly or indirectly offered, sold or delivered in or into the United States, Canada, Australia or Japan or to a person (including an individual, partnership, unincorporated syndicate, limited liability company, unincorporated organisation, trust, trustee, executor, administrator or other legal representative) in, or resident in, Japan, Australia, Canada or the United States or a US Person (a “restricted

overseas person”) and the Shares and Warrants. Any US Persons participating in the Offer will receive the Utilico Finance 2014 ZDP Shares and/or Utilico Finance 2016 ZDP Shares in certificated form and will be deemed to have agreed to maintain the Utilico Finance 2014 ZDP Shares and/or Utilico Finance 2016 ZDP Shares in certificated form until such time as such securities are sold in an offshore transaction pursuant to Regulation S of the Securities Act. Neither Utilico nor Utilico Finance is or will be registered under the United States Investment Company Act of 1940, as amended.

- 8.3 WARNING - The contents of this document have not been reviewed by any regulatory authority in Hong Kong. Investors are advised to exercise caution in relation to the Offer. If investors are in any doubt about the contents of this document they should obtain professional advice.

## **9 Investment Restrictions**

9.1 It is Utilico’s intention to observe the investment restrictions necessary to comply with the Listing Rules from time to time in force. The investment restrictions currently in force are as follows:

- (a) Utilico will not invest more than 10 per cent. in aggregate of the value of its Gross Assets, at the time of Admission or at the time of a new investment, in other investment companies or investment trusts which are listed on the Official List (except to the extent that those investment companies or investment trusts have stated policies to invest no more than 15 per cent. of their gross assets in other investment companies or investment trusts which are listed on the Official List);
- (b) except in the case of cash deposits awaiting investment, Utilico will not lend to any one company or group, or invest in the securities of any one company or group, more than 20 per cent. of its Gross Assets (at the time the investment or loan is made). This restriction will not apply in relation to the holding of shares in Infracore Limited which Utilico will acquire pursuant to the Scheme and which it is expected will represent more than 20 per cent. of Utilico’s Gross Assets at Admission;
- (c) Utilico will not pay dividends unless they are covered by income received from underlying investments;
- (d) Utilico will not conduct any trading activity which is significant in the context of the Group as a whole;
- (e) Utilico will maintain an adequate spread of investment risk; and
- (f) Utilico will not take legal or management control of the issuers of the underlying investments in its portfolio

9.2 In accordance with the requirements of the UKLA:

- (a) Utilico will materially alter its investment policy only with the approval of Utilico Shareholders by ordinary resolution; such an alteration would be announced by Utilico through a Regulatory Information Service; and
- (b) distributable income is expected to be derived from investments and Utilico will not conduct any significant trading activity.

In the event of any breach of the investment restrictions applicable to Utilico, Utilico Shareholders will be informed of the actions to be taken by Utilico by notice sent to the registered addresses of the Utilico Shareholders or otherwise in accordance with the Utilico Bye-laws or by an announcement issued through a Regulatory Information Service approved by the UKLA or by including details of such actions in the Group’s annual report and accounts.

## **10 Working capital**

Utilico is of the opinion that the Group has sufficient working capital for its present requirements that is for at least the next 12 months from the date of this document.

## **11 Capitalisation and indebtedness**

As at the date of this document, neither Utilico nor Utilico Finance have any guaranteed secured or unsecured indebtedness, including indirect and contingent indebtedness. The issued share capital of Utilico and Utilico Finance as at the date of this document is set out in paragraph 4 above of this Part 6.

## **12 Conflicts of interest**

The Investment Manager (or its associates) may provide investment management, investment advisory and other services to other clients (including investment companies), including clients which may invest in the securities in which Utilico may invest and, in providing such services, may use information obtained by them which is used in advising on Utilico's investments. Neither the Investment Manager nor any of its associates will be liable to account to the Group for any profit, commission or remuneration earned as a result of such conflict. However, in the event of a conflict of interest arising, the Investment Manager will take reasonable steps to ensure fair treatment for the Group in accordance with the FSA's Conduct of Business Sourcebook.

## **13 Miscellaneous**

- 13.1 The costs and expenses of the Issues and the Placing and Offer which are to be borne by Utilico are estimated to be approximately £1.8 million (including UK stamp duty on the assets transferred to the Group pursuant to the Scheme estimated to amount to £0.5 million and placing commissions of £0.8 million).
- 13.2 Assuming the Placing and Offer is fully subscribed the gross proceeds of the Placing and Offer will be approximately £73.2 million after the costs and expenses referred to in paragraph 13.1 above. The net proceeds of the Placing and Offer will be advanced by Utilico Finance to Utilico under the Subscription Agreement and will be invested by Utilico in accordance with its investment policies described in Part 1 of this document.
- 13.3 Conditional on the Scheme being implemented, Utilico will have 5 employees: Charles Jillings, Alan Wheatley, James Smith, Mark Lebbell and David McIlroy. Save as disclosed in this paragraph neither Utilico nor Utilico Finance has, nor has had since incorporation, any employees and neither owns nor leases any land or buildings.
- 13.4 Neither Utilico nor Utilico Finance is, and has not since incorporation been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which either company is aware) which may have, or have had since its incorporation, a significant effect on the company or its financial position or profitability.
- 13.5 No application is being made for the Utilico Shares, Utilico Finance ZDP Shares, Utilico 2008 Warrants and/or Utilico 2012 Warrants to be listed, or dealt in, on any stock exchange or investment exchange other than the main market of the London Stock Exchange.
- 13.6 The Directors confirm that Utilico and Utilico Finance were incorporated on the dates referred to in paragraphs 3.1.1 and 3.2.1 above of this Part 6 and that since their respective incorporations neither Utilico nor Utilico Finance has commenced operations or traded or prepared any financial statements or accounts.
- 13.7 There has been no significant change in the financial or trading position of either Utilico or Utilico Finance since their respective dates of incorporation.
- 13.8 As at the date of this document, Utilico Finance is the only subsidiary of Utilico. Utilico Finance has no subsidiaries.
- 13.9 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. 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.
- 13.10 The Investment Manager was incorporated and registered in Australia on 11 August 1994 as a private limited company. It is regulated by the Australian Securities and Investments Commission and registered with number A.C.N 066017712. The principal place of business of the Investment Manager is Level 11, York Street, Sydney 2000, Australia (a representative of the Investment Manager can be contacted on telephone number + 44 (0)1372 271 486).

- 13.11 The Custodian is JPMorgan Chase Bank N.A., acting through its UK branch registered in England and Wales on 28 June 1993 with registered branch number BR000746. The principal place of business of the Custodian is 125 London Wall, London EC2Y 5AJ (a representative of the Custodian can be contacted on telephone number +44 (0)20 7777 2000). The Custodian's business in the UK is authorised and regulated by the FSA.
- 13.12 PricewaterhouseCoopers LLP have been the only auditors of Utilico and Utilico Finance since their incorporation and are independent. PricewaterhouseCoopers LLP are registered auditors and members of the Institute of Chartered Accountants in England and Wales.
- 13.13 Arbuthnot 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.

#### **14 Documents available for inspection**

Copies of the following documents will be available for inspection at the registered office of Utilico and Utilico Finance at Canon's Court, 22 Victoria Street, Hamilton HM 12 Bermuda and at the offices of Norton Rose, 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 Utilico Bye-laws and the Utilico Finance Bye-laws;
- (b) the material contracts referred to in paragraph 7 above of this Part 6;
- (c) the letters of appointment of the Directors referred to in paragraph 5.2 above of this Part 6;
- (d) the written consent referred to paragraph 13 above of this Part 6;
- (e) the Scheme Circular; and
- (f) this document.

#### **15 Availability of Prospectus**

Copies of this document are available for inspection only during normal business hours on any weekday (Saturdays and public holidays excepted) at the Document Viewing Facility at the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS.

14 May 2007

## PART 7

### ASSUMPTIONS

Unless otherwise indicated, the statistics contained in this document relating to the Shares and Warrants have been calculated on the following principal bases and assumptions:

- As at the Effective Date, there are 79,734,800 Utilico Investment Trust Ordinary Shares, 45,486,200 Utilico Investment Trust ZDP Shares and 19,264,812 Utilico Investment Trust Warrants in issue (includes 14,565,284 Utilico Investment Trust Ordinary Shares issued to holders of the CULS on the basis that all the CULS are converted into Utilico Investment Trust Ordinary Shares prior to the implementation of the Scheme);
- The unaudited Gross Assets and Net Asset Value of Utilico Investment Trust as at 30 April 2007 were £372.1 million and £241.5 million respectively;
- As at 30 April 2007, the Net Asset Value per Utilico Investment Trust Ordinary Share on an undiluted basis was 373.15p and on a diluted basis was 293.40p;
- The costs of the Proposals borne by Utilico Investment Trust are approximately £0.7 million (excluding VAT) and the costs of the establishment of the Group, the Issues and the Placing and Offer (including UK stamp duty on the assets transferred to the Group pursuant to the Scheme estimated to amount to £0.5 million and placing commissions of £0.8 million) to be borne by Utilico are £1.8 million.
- Bank debt of £45 million is assumed directly by Utilico pursuant to the novation of the RBS Loan Facility and bank debt of NZ\$30 million is assumed indirectly pursuant to the acquisition of Utilico NZ Limited;
- The liquidation fund established pursuant to the Scheme equals £50,000 and the value of the assets transferred to Utilico and Utilico Finance pursuant to the Transfer Agreement have an aggregate value of £372.1 million;
- A total of 79,734,800 Utilico Shares, 45,486,200 Utilico Finance 2012 ZDP Shares and 12,329,479 Utilico 2008 Warrants are issued pursuant to the Scheme assuming full conversion of all of the CULS;
- A total of 3,617,481 Utilico 2012 Warrants are issued pursuant to the Bonus Issue assuming full conversion of all of the CULS;
- Gross proceeds of £75 million are raised under the Placing and Offer by the issue of 37.5 million package units of Utilico Finance ZDP Shares, comprising 37.5 million Utilico Finance 2014 ZDP Shares and 37.5 million Utilico Finance 2016 ZDP Shares;
- The opening Gross Assets of Utilico is £444.6 million;
- The capital accrual of a Utilico Finance 2012 ZDP Share is 7 per cent. per annum, compounded from a notional issue date of 7 May 2004 up to and including its respective repayment date and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserve. The final capital entitlement of 177.52p per Utilico Finance 2012 ZDP Share is payable on 31 October 2012;
- The capital accrual of a Utilico Finance 2014 ZDP Share and a Utilico Finance 2016 ZDP Share is 7.25 per cent. per annum, compounded from a notional issue date of 15 June 2007 up to and including their respective repayment dates and is accounted for on a daily basis in arrears as to 100 per cent. to capital reserves. The final capital entitlements of 167.60p and 192.78p per Utilico Finance 2014 ZDP Share and Utilico Finance 2016 ZDP Share respectively is payable on their respective Utilico Finance ZDP Repayment Dates;
- Management fees, interest on borrowings and running expenses are charged 100 per cent. to revenue and the gross revenue receivable is at least equal to these costs;
- Performance fees are calculated and accrued weekly and charged to capital or revenue accounts based on performance;
- Utilico and Utilico Finance have indefinite lives;
- There are no changes to generally accepted accounting practices relevant to Utilico; and
- No redemption, conversions or repurchases of Shares or Warrants are made prior to the redemption of the Utilico Finance 2016 ZDP Shares.

## PART 8

### TERMS AND CONDITIONS OF THE OFFER

**Unless the Utilico Finance Directors are satisfied that any Overseas Holder can apply under the Offer without breaching any relevant securities laws or regulations, such Overseas Holder may not apply under the Offer and this document is being sent to them for information purposes only.**

In the case of a joint Application, references to you in these terms and conditions of Application are to each of you, and your liability is joint and several. **Please ensure you read these terms and conditions in full before completing the Application Form.** Save where the context otherwise requires and unless otherwise defined, words and expressions defined on pages 100 to 106 of this document have the same meanings when used in the Application Form and these terms and conditions.

If you have a query concerning the Application Form, please contact Computershare Investor Services PLC on telephone number 0870 707 1384. Prospective investors should note that Computershare Investor Services PLC can only answer queries in relation to your Application and cannot give any tax or investment advice.

In these terms and conditions which apply to the Offer:

**“Applicant”** means a person or persons (in the case of joint applicants) whose name(s) appear(s) on the registration details of an Application Form;

**“Application”** means the offer for subscription made by an Applicant by completing an Application Form and posting (or delivering) it to Computershare Investor Services PLC (the “Receiving Agent”) at P.O. Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ or delivering it by hand (only) during normal business hours to Computershare Investor Services PLC, 2nd Floor, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ;

**“Money Laundering Regulations”** means the Money Laundering Regulations 2003 and any other applicable legislation in any jurisdiction concerning money laundering;

**“Package Unit”** means a package unit comprising one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share;

**“Prospectus”** means the prospectus dated 14 May 2007 published by Utilico and Utilico Finance;

**“Utilico Finance 2014 ZDP Shares”** means the zero dividend preference shares of 10p in the capital of Utilico Finance having the rights attached thereto set out in the Utilico Finance Bye-laws;

**“Utilico Finance 2016 ZDP Shares”** means the zero dividend preference shares of 10p in the capital of Utilico Finance having the rights attached thereto set out in the Utilico Finance Bye-laws; and

**“Utilico Finance ZDP Shares”** means Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares or any of class of them as the context may require.

- 1 The contract created by the acceptance of an Application under the Offer will be conditional on:
  - 1.1 the admission to the Official List and trading on the London Stock Exchange’s market for listed securities of both classes of Utilico Finance ZDP Shares (**“Admission”**) becoming effective by not later than 8.00 a.m. on 30 June 2007; and
  - 1.2 the Placing and Offer Agreement referred to in paragraph 7.11 of Part 6 of the Prospectus becoming unconditional in all respects, and not being terminated in accordance with its respective terms before Admission becomes effective.

- 2 Completed Application Forms accompanied by a cheque or banker's draft in relation to the Offer must be posted to Computershare Investor Services PLC P.O. Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ or delivered by hand (during normal business hours) to Computershare Investor Services PLC, 2nd Floor, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ so as to be received by 11.00 a.m. on 8 June 2007.
- 3 The right is reserved by Utilico Finance to present all cheques and bankers' drafts for payment on receipt and to retain application monies and share certificates and refrain from delivering an Applicant's Utilico Finance ZDP Shares into CREST, pending clearance of successful Applicants' cheques and bankers' drafts. Without prejudice to paragraph 4 below, Utilico Finance also reserves the right to reject in whole or part, or to scale down or limit, any Application. Utilico Finance may treat Applications as valid and binding even if not made in all respects in accordance with the prescribed instructions and Utilico Finance may, at its discretion, accept an Application in respect of which payment is not received by Utilico Finance prior to the closing of the Offer. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant's cheque or banker's draft or by crossed cheque in favour of the first-named Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.
- 4 To ensure compliance with the Money Laundering Regulations the Receiving Agent at its absolute discretion may require verification of identity from any Applicant and, without prejudice to the generality of the foregoing, in particular from any person who either (i) tenders payment by way of a cheque, building society cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to the Receiving Agent to be acting on behalf of some other person. This may involve verification of his/her name and address through a reputable agency. Utilico Finance is entitled to treat as invalid and reject an Application Form if (on the basis of the expected timetable) by 11.00 a.m. on 8 June 2007 the Receiving Agent has determined pursuant to procedures maintained under the Money Laundering Regulations that satisfactory evidence as to identity has not been and is unlikely to be received within a reasonable period of time in respect of the Application Form in question.

Where possible Applicants should make payment by a cheque drawn on an account in their own name. The following is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting the Receiving Agent's right to require verification of identity as indicated above):

- 4.1 if a banker's draft or building society cheque is used, the Applicant should write his name and address on the back of the banker's draft or cheque and ensure that the bank or building society adds their stamp;
  - 4.2 if the cheque is drawn by a third party, the Applicant should ensure that one of the following documents is enclosed with this form: a recent original building society statement or utility bill in his own name or certified copy of his passport or driving licence. A solicitor or bank can certify documents. Original documents will be returned by post at the Applicant's own risk;
  - 4.3 if an Applicant makes the Application as agent for one or more persons, he should indicate on the Application Form whether he is a UK or EU regulated person or institution (for example a bank or stockbroker) and specify his status. If an Applicant is not a UK or EU regulated person or institution he should contact the Receiving Agent; and
  - 4.4 if an Applicant lodges an Application Form by hand, but the accompanying payment is not a cheque drawn in his own name, he should ensure that he has evidence of identity including his photograph (e.g. passport).
- 5 By completing and delivering an Application Form, you, as the Applicant (and, if you sign the Application Form on behalf of somebody else or a corporation, that person or corporation, except as referred to in paragraph 5.9 below):



- 5.1 offer to subscribe for the number of Package Units (each comprising one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share) specified in your Application Form (or such lesser number for which your Application is accepted) on the terms of and subject to the Prospectus, including these terms and conditions, and subject to the Memorandum of Association of Utilico Finance and the Utilico Finance Bye-laws;
- 5.2 agree that, in consideration of Utilico Finance agreeing to process your Application, your Application cannot be revoked until after 30 June 2007 and that this section shall constitute a collateral contract between you and Utilico Finance which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Application Form;
- 5.3 agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the relevant Utilico Finance ZDP Shares for which you have applied until you make payment in cleared funds for those Utilico Finance ZDP Shares and such payment is received and accepted by Utilico Finance in its absolute discretion (which acceptance shall be on the basis that you indemnify it, Arbuthnot Securities and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by Utilico Finance of such late payment, Utilico Finance may (without prejudice to its other rights) avoid the agreement to subscribe such Utilico Finance ZDP Shares and may issue or allot such Utilico Finance ZDP Shares to some other person, in which case you will not be entitled to any payment in respect of such Utilico Finance ZDP Shares other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your application, without interest;
- 5.4 agree that any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by Money Laundering Regulations and that such monies will not bear interest;
- 5.5 undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of Utilico Finance and the Receiving Agent) to ensure compliance with Money Laundering Regulations;
- 5.6 agree that, in respect of those Utilico Finance ZDP Shares for which your Application has been received and is not rejected, acceptance of your Application shall be constituted, at the election of Utilico Finance, or Arbuthnot Securities on behalf of Utilico Finance, either (a) by notification to the London Stock Exchange through a Regulatory Information Service of the basis of allocation (in which case acceptance shall be on that basis) or (b) by notification of acceptance thereof to the Receiving Agent;
- 5.7 agree that any monies returnable to you may be retained by the Receiving Agent pending clearance of your remittance and that such monies will not bear interest;
- 5.8 agree that where the Applicant wishes to hold his Utilico Finance ZDP Shares in certificated form, the Receiving Agent is hereby authorised to send share certificates in respect of the number of Utilico Finance ZDP Shares for which your Application is accepted and/or a crossed cheque for any monies returnable by post without interest, at the risk of the person(s) entitled thereto, to the address of the person (or in the case of joint holders, the first-named person) named as an Applicant in the Application Form and to procure that your name (together with the name(s) of any other joint Applicant(s)) is/are placed on the register of members of Utilico Finance in respect of such Utilico Finance ZDP Shares;
- 5.9 warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to

have given the confirmations, warranties, undertakings and authorities contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Application Form;

- 5.10 warrant that in connection with your Application you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue or transfer or other taxes due in connection with your Application in any territory and that you have not taken any legal action which will or may result in Utilico Finance, the Receiving Agent and/or Arbuthnot Securities acting in breach of the local regulatory or legal requirements of any territory in connection with the Offer or your Application;
  - 5.11 agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed by and construed in accordance with English law, and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of Utilico Finance or Arbuthnot Securities to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
  - 5.12 confirm that, in making such Application, neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to Utilico Finance other than the information contained in the Prospectus and, accordingly, you agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
  - 5.13 irrevocably authorise the Receiving Agent and/or Arbuthnot Securities, or any person authorised by either of them, as your agent, to do all things necessary to effect registration of the Utilico Finance ZDP Shares subscribed by or issued to you into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such Utilico Finance ZDP Shares has been transferred and authorise any representative of the Receiving Agent or Arbuthnot Securities to execute any document required therefor;
  - 5.14 confirm that you have reviewed the restrictions contained in these terms and conditions;
  - 5.15 agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning Utilico Finance and the Utilico Finance ZDP Shares;
  - 5.16 warrant that, if you are an individual, you are not under the age of 18;
  - 5.17 agree that all documents and cheques sent by post to, by or on behalf of Utilico Finance or the Receiving Agent, will be sent at the risk of the person(s) entitled thereto;
  - 5.18 agree, on request by Utilico Finance, or Arbuthnot Securities on behalf of Utilico Finance, to disclose promptly in writing to Utilico Finance any information which Utilico Finance or Arbuthnot Securities may reasonably request in connection with your Application and authorise Utilico Finance and Arbuthnot Securities to disclose any information relating to your Application as it considers appropriate; and
  - 5.19 agree that Arbuthnot Securities will not treat you as its customer by virtue of your Application being accepted or owe you any duties or responsibilities concerning the price of the Utilico Finance ZDP Shares or the suitability for you of Utilico Finance ZDP Shares or be responsible to you for providing the protections afforded to their customers.
- 6 No person receiving a copy of the Application Form in any territory other than the UK may treat the same as constituting an invitation or offer to him; nor should he in any event use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used without contravention of any, or compliance with any unfulfilled, registration or other legal or regulatory requirements. It is the responsibility of any person outside the UK wishing to apply for Utilico Finance ZDP Shares

under the Offer to satisfy himself as to the full observance of the laws of any relevant territory in connection with any such application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in any such territory and paying any issue, transfer or other taxes required to be paid in any such territory.

The relevant clearances have not been, and will not be, obtained from the securities commissions of any province of the United States, New Zealand, Canada, Australia or Japan and, accordingly, unless an exemption under the relevant legislation or regulations is applicable, none of the Utilico Finance ZDP Shares may be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States, New Zealand, Canada, Australia or Japan. Accordingly, unless Utilico Finance has expressly agreed in writing that it is satisfied that an exception under relevant legislation or regulation is applicable to you and may be relied on by you, you represent and warrant to Utilico Finance that you are not a resident of the United States, New Zealand, Canada, Australia or Japan and that you are not subscribing for such Utilico Finance ZDP Shares for the account or benefit of any resident of the United States, New Zealand, Canada, Australia or Japan (otherwise than on a discretionary basis) and that you will not offer, sell, renounce, transfer or deliver, directly or indirectly, Utilico Finance ZDP Shares subscribed for by you in the United States, New Zealand, Canada, Australia or Japan or to, or for the account or benefit of, any resident of the United States, New Zealand, Canada, Australia or Japan. No Application will be accepted if it bears an address in the United States, New Zealand, Canada, Australia or Japan unless an appropriate exemption is available as referred to above.

- 7 Dealings prior to the issue of Utilico Finance ZDP Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an Application may not be accepted to the extent anticipated or at all.
- 8 Save where the context otherwise requires, words and expressions defined in the Prospectus have the same meanings when used in these terms and conditions and in the Application Form and explanatory notes in relation thereto.

## DEFINITIONS

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

<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 Part 6 of this document
<b>“Administrator” or “Secretary”</b>	F&C Management Limited
<b>“Admission”</b>	the admission of (i) the Utilico Shares (ii) the Utilico 2008 Warrants and (iii) the Utilico Finance ZDP Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities, expected to be 20 June 2007
<b>“AIC”</b>	the Association of Investment Companies (formerly the Association of Investment Trust Companies)
<b>“AIC Code”</b>	the AIC Code of Corporate Governance
<b>“ANZ Loan Facility”</b>	Utilico NZ Limited’s existing bank facility with ANZ National Bank Limited of NZ\$30 million, the terms of which are summarised in paragraph 7.8 of Part 6 of this document
<b>“Application Form”</b>	the application form accompanying this document to subscribe for Utilico Finance ZDP Shares
<b>“Arbuthnot Securities”</b>	Arbuthnot Securities Limited
<b>“Assumptions”</b>	the bases and assumptions on which statistics relating to the Shares and Warrants have been calculated, including the cover on the Utilico Finance 2012 ZDP Shares as set out in Part 7 of this document
<b>“Bermuda Companies Act”</b>	the Bermuda Companies Act 1981, as amended from time to time
<b>“Board”</b>	the directors of Utilico and/or Utilico Finance from time to time
<b>“Bonus Issue”</b>	the issue of up to 3.62 million Utilico 2012 Warrants
<b>“Bonus Issue Record Date”</b>	7.30 a.m. on 20 June 2007
<b>“certificated” or “in certificated form”</b>	a Share or a Warrant (including any class thereof) which is not in uncertificated form
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Combined Code”</b>	the Corporate Governance Code issued by the Financing Reporting Council
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations)
<b>“CREST Agent”</b>	Computershare Investor Services PLC
<b>“CRESTCo”</b>	CRESTCo Limited

<b>“CREST Manual”</b>	the CREST Reference Manual issued by CRESTCo dated 7 December 2004
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (as amended)
<b>“CULS”</b>	3.75 per cent. Subordinated Convertible Unsecured Loan Stock 2009 of Utilico Investment Trust
<b>“Custodian”</b>	JP Morgan Chase Bank
<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 6 of this document
<b>“Depository and Custody Services Agreements”</b>	the depository and custody services agreements entered into by Utilico and Computershare Investor Services PLC and Utilico Finance and Computershare Investor Services PLC further details of which are set out in paragraph 7.6 of Part 6 of this document.
<b>“Depository Interest”</b>	dematerialised depository interests representing the underlying Shares and/or Warrants as the case may be
<b>“Directors”</b>	the board of directors of Utilico and/or Utilico Finance from time to time
<b>“Effective Date”</b>	the date on which the Scheme becomes effective (which is expected to be 19 June 2007)
<b>“Emerging Markets”</b>	predominantly countries included in leading emerging market indices
<b>“Estimated Initial Gross Assets”</b>	the estimated Gross Assets of Utilico at Admission based on the Assumptions
<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
<b>“Gross Assets”</b>	the unaudited aggregate value of total assets of the Group, including assets represented by principal monies borrowed by the Group, less current liabilities (other than principal monies borrowed and other than contingent liabilities) of the Group
<b>“Group”</b>	Utilico and Utilico Finance and their respective subsidiaries from time to time
<b>“GST”</b>	Gross Sales Tax
<b>“Ingot” or “Investment Manager”</b>	Ingot Capital Management Pty Limited
<b>“in uncertificated form”</b>	recorded in the register of members or warrant holders of Utilico or Utilico Finance (as appropriate) as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>“Investment Advisory Agreement”</b>	the Investment Advisory Agreement dated 16 June 2003 (as amended on 5 May 2004 and 25 August 2005) made between Utilico Investment Trust and Ingot

<b>“Investment Company Act”</b>	the United States Investment Company Act 1940, as amended
<b>“Investment Management Agreement”</b>	the investment management agreement entered into between Utilico, Utilico Finance and Ingot and dated 14 May 2007, the terms of which are summarised in paragraph 7.2 of Part 6 of this document
<b>“ISA/PEP”</b>	Individual Savings Account/Personal Equity Plan
<b>“Issues”</b>	the issue of Utilico Shares, Utilico 2008 Warrants and Utilico Finance 2012 ZDP Shares in connection with the Scheme or any of them as the context may require
<b>“Listing Rules”</b>	the listing rules of the UK Listing Authority made under section 73A of FSMA
<b>“Liquidation Fund”</b>	the liquidation fund to be retained by the liquidators of Utilico Investment Trust in accordance with the Scheme
<b>“Liquidators”</b>	the liquidator(s) for the time being of Utilico Investment Trust, being initially the persons appointed jointly and severally at the extraordinary general meeting of Utilico Investment Trust, notice of which is set out in the Scheme Circular, or, where applicable, any adjournment thereof
<b>“Loan Facilities”</b>	the ANZ Loan Facility and the RBS Loan Facility or either of them as the context may require
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“NAV” or “Net Asset Value”</b>	the total value of all the assets of Utilico, less its liabilities determined in accordance with Utilico’s usual accounting policies or, if the context so requires, the total value of all the assets of Utilico Investment Trust, less its liabilities determined in accordance with Utilico Investment Trust’s usual accounting policies
<b>“Offer” or “Offer for Subscription”</b>	the offer for subscription to subscribe for up to 37.5 million package units, each comprising one Utilico Finance ZDP 2014 Share and one Utilico Finance 2016 ZDP Share at a price of £2.00 per package unit as described in this document
<b>“Official List”</b>	the Official List of the UK Listing Authority
<b>“Overseas Holders”</b>	save as otherwise determined by the Board pursuant to paragraph 6 of Part 8 of this document, Utilico Investment Trust Shareholders, Utilico Investment Trust Warrantholders and holders of CULS who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom
<b>“PEP”</b>	Personal Equity Plan
<b>“Placing”</b>	the placing of up to 37.5 million package units, each comprising one Utilico Finance 2014 ZDP Share and one Utilico Finance 2016 ZDP Share, at a price of £2.00 per package unit as described in this document

<b>“Placing and Offer Agreement”</b>	the conditional placing and offer agreement dated 14 May 2007 pursuant to which Arbutnot has agreed to use its reasonable endeavours to procure places for the Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares and will offer Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares pursuant to the Offer, further details of which are set out on paragraph 7.11 of Part 6 of this document
<b>“Placing and Offer Shares”</b>	the Utilico Finance 2014 ZDP Shares and Utilico Finance 2016 ZDP Shares to be issued under the Placing and Offer
<b>“Proposals”</b>	the proposal to re-domicile Utilico Investment Trust by means of voluntary winding-up and the reconstruction of Utilico Investment Trust and the roll-over of investors interests in Utilico Investment Trust into Shares and/or Warrants referred to in Part 1 of this document and as more fully described in the Scheme Circular
<b>“Prospectus”</b>	this document issued by Utilico and Utilico Finance dated 14 May 2007 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>“RBS Loan Facility”</b>	the £45 million loan facilities originally granted by The Royal Bank of Scotland plc to Utilico Investment Trust, to be novated to Utilico in connection with the Scheme, the terms of which are summarised in paragraph 7.7 of Part 6 of this document
<b>“Receiving Agent” or “Depositary”</b>	Computershare Investor Services PLC
<b>“Record Date”</b>	the record date for the Scheme, being the close of business on 8 June 2007
<b>“Registrar”</b>	Computershare Investor Services (Channel Islands) Limited
<b>“Registrar Agreements”</b>	the branch registrar agreements entered into between Utilico and Computershare Investor Services PLC and Utilico Finance and Computershare Investor Services PLC and the terms of which are summarised in paragraph 7.5 of Part 6 of this document
<b>“Regulatory Information Service”</b>	any of the services set out in Appendix 3 of the Listing Rules
<b>“Scheme”</b>	the scheme of reconstruction implementing the Proposals referred to in Part 1 of this document and as more fully described in the Scheme Circular
<b>“Scheme Circular”</b>	the circular to Utilico Investment Trust Shareholders, Utilico Investment Trust Warrantholders and holders of CULS dated 14 May 2007 in connection with the Proposals
<b>“Secretary”</b>	F&C Management Limited

<b>“Shares”</b>	Utilico Shares and/or Utilico Finance ZDP Shares as the context may require
<b>“Shareholders”</b>	holders of Utilico Shares and/or Utilico Finance ZDP Shares (as the case may be)
<b>“sterling”</b>	the lawful currency of the United Kingdom
<b>“Subscription Agreement”</b>	the agreement to be entered into between Utilico and Utilico Finance pursuant to which Utilico Finance agrees to transfer the assets transferred to it pursuant to the Transfer Agreement to Utilico together with the gross proceeds of the Placing and Offer and any subsequent issue of Utilico Finance ZDP Shares (less any sums deducted therefrom in accordance with the Placing and Offer Agreement) in consideration for which Utilico agrees to bear the costs of all such issues and to put Utilico Finance into sufficient funds to enable it to pay the final capital entitlement of each Utilico Finance 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>“SUIT”</b>	Special Utilities Investment Trust plc
<b>“Transfer Agreement”</b>	the agreement to be entered into between the Liquidators (in their personal capacity and on behalf of Utilico Investment Trust), Utilico and Utilico Finance providing, <i>inter alia</i> , for the transfer of assets, other than the Liquidation Fund, from Utilico Investment Trust to Utilico and Utilico Finance, the terms of which are summarised in paragraph 7.10 of Part 6 of this document
<b>“UEM Holdings Limited”</b>	UEM Holdings Limited, a wholly owned subsidiary of Utilico Investment Trust incorporated in Bermuda, the ownership of which will be transferred to Utilico pursuant to the Proposals
<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 listing pursuant to Part VI of FSMA
<b>“uncertificated” or “in uncertificated form”</b>	a Share or a Warrant (or any class thereof) which is in uncertificated form
<b>“United States”</b>	United States of America
<b>“Utilico”</b>	Utilico Limited
<b>“Utilico 2008 Warrant Instrument”</b>	the deed poll of Utilico dated 14 May 2007 constituting the Utilico 2008 Warrants (as amended from time to time)
<b>“Utilico 2012 Warrant Instrument”</b>	the deed poll of Utilico dated 14 May 2007 constituting the Utilico 2012 Warrants (as amended from time to time)



<b>“Utilico 2008 Warrants”</b>	warrants to be issued by Utilico on the terms and conditions of the Utilico 2008 Warrant Instrument as set out in Part 3 of this document
<b>“Utilico 2012 Warrants”</b>	warrants to be issued by Utilico on the terms and conditions of the Utilico 2012 Warrant Instrument, as set out in Part 4 of this document
<b>“Utilico Bye-laws”</b>	the bye-laws of Utilico, as amended from time to time
<b>“Utilico Finance”</b>	Utilico Finance Limited
<b>“Utilico Finance Bye-laws”</b>	the bye-laws of Utilico Finance, as amended from time to time
<b>“Utilico Finance 2012 ZDP Shares”</b>	redeemable zero dividend preference shares of 10p each in the capital of Utilico Finance having a redemption date of 31 October 2012
<b>“Utilico Finance 2014 ZDP Shares”</b>	redeemable zero dividend preference shares of 10p each in the capital of Utilico Finance having a redemption date of 31 October 2014
<b>“Utilico Finance 2016 ZDP Shares”</b>	redeemable zero dividend preference shares of 10p each in the capital of Utilico Finance having a redemption date of 31 October 2016
<b>“Utilico Finance ZDP Repayment Date”</b>	the date on which the final capital entitlement becomes due for each class of Utilico Finance ZDP Share, being 31 October 2012, 31 October 2014 and 31 October 2016 respectively
<b>“Utilico Finance ZDP Shares”</b>	the Utilico Finance 2012 ZDP Shares, the Utilico Finance 2014 ZDP Shares and/or the Utilico Finance 2016 ZDP Shares (as the context permits)
<b>“Utilico Finance ZDP Shareholder”</b>	holders of Utilico Finance ZDP Shares
<b>“Utilico Investment Trust”</b>	Utilico Investment Trust plc
<b>“Utilico Investment Trust Ordinary Shares”</b>	ordinary shares of 1.5625p each in the capital of Utilico Investment Trust
<b>“Utilico Investment Trust Ordinary Shareholder”</b>	a holder of Utilico Investment Trust Ordinary Shares
<b>“Utilico Investment Trust Warrant Instrument”</b>	the deed poll of Utilico Investment Trust dated 5 May 2004 constituting the Utilico Investment Trust Warrants (as amended from time to time)
<b>“Utilico Investment Trust Warranholder”</b>	a holder of Utilico Investment Trust Warrants
<b>“Utilico Investment Trust Warrants”</b>	warrants to subscribe for Utilico Investment Trust Ordinary Shares and Utilico Investment Trust ZDP Shares as constituted by the Utilico Investment Trust Warrant Instrument
<b>“Utilico Investment Trust ZDP Shares”</b>	redeemable zero dividend preference shares of 177.52p each in the capital of Utilico Investment Trust

<b>“Utilico Investment Trust ZDP Shareholder”</b>	a holder of Utilico Investment Trust ZDP Shares
<b>“Utilico NZ Limited”</b>	Utilico NZ Limited, a wholly owned subsidiary of Utilico Investment Trust incorporated in New Zealand, the ownership of which will be transferred to Utilico pursuant to the Proposals
<b>“Utilico Shares”</b>	ordinary shares of 10p each in the capital of Utilico
<b>“Utilico Shareholder”</b>	a holder of Utilico Shares
<b>“Utilico Warrantholder”</b>	a holder of Utilico 2008 Warrants and/or Utilico 2012 Warrants as the context may require
<b>“Utilico Warrants”</b>	Utilico 2008 Warrants and/or Utilico 2012 Warrants (as the context may require)
<b>“VAT”</b>	value added tax
<b>“Warrants”</b>	warrants to subscribe for Utilico Shares as constituted by the Utilico 2008 Warrant Instrument or the Utilico 2012 Warrant Instrument
<b>“Warrantholders”</b>	holders of Warrants
<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 Utilico Bye-laws
<b>“ZDP Cover”</b>	has the meaning given in the Utilico Finance Bye-laws



