

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to immediately seek your own personal financial advice from your stockbroker or other independent financial adviser authorised pursuant to the UK Financial Services and Markets Act 2000 (as amended) (the FSMA), who specialises in advising on the acquisition of securities.

This document comprises a prospectus relating to Utilico Finance Limited prepared in accordance with the Prospectus Rules of the Financial Conduct Authority made under section 73A of the FSMA. A copy of this document has been filed with the Financial Conduct Authority and has been made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the 2020 ZDP Shares issued pursuant to the Rollover Offer and the Initial Placing to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities (together, Rollover and Initial Placing Admission). It is expected that such Rollover and Initial Placing Admission will become effective and that unconditional dealings in such 2020 ZDP Shares will commence on the London Stock Exchange on 31 July 2014.

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the Placing ZDP Shares issued pursuant to the Placing Programme to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities (together, Subsequent Admission). It is expected that such Subsequent Admission will become effective and that unconditional dealings in such Placing ZDP Shares will commence on the London Stock Exchange during the period from 2 July 2014 to 1 July 2015.

If you have sold or otherwise transferred all your 2014 ZDP Shares please send this document and the accompanying documents as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. The distribution of this document and/or the accompanying documents in jurisdictions other than the UK, including the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa, may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of those restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities laws of any such jurisdiction.

UTILICO FINANCE LIMITED

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

a wholly owned subsidiary of

UTILICO INVESTMENTS LIMITED

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

Rollover Offer of 2014 ZDP Shares into 2020 ZDP Shares, issue of up to 25,000,000 2020 ZDP Shares pursuant to the Initial Placing and Placing Programme and issue of up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares pursuant to the Placing Programme

Westhouse Securities Limited, which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Conduct Authority, is acting exclusively for Utilico Finance and Utilico and for no one else in connection with the Proposals, and will not be responsible to any person other than Utilico Finance and Utilico for providing the protections afforded to clients of Westhouse Securities Limited or for providing advice to them in relation to the Proposals or any other matter referred to in this document. Westhouse Securities Limited is not responsible for the contents of this document. This does not exclude or limit any responsibilities which Westhouse Securities Limited may have under the FSMA or the regulatory regime established thereunder.

This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, ZDP Shares of any class in any jurisdiction in which such offer or solicitation is unlawful. In particular the ZDP Shares offered by this document have not been, and will not be, registered under the US Securities Act of 1933, as amended (the Securities Act) or registered or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Australia, Canada, Japan, New Zealand or the Republic of South Africa and may not be offered or sold in the United States or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Company has not been and will not be registered as an investment company under the US Investment Company Act of 1940, as amended. This document and the ZDP Shares have not been recommended, approved or disapproved by any US federal or state securities commission or regulatory authority. Furthermore, none of such authorities has opined on the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence. Further information regarding overseas investors is set out in Part 1 of this document.

The whole of this document should be read. The attention of potential investors is drawn in particular to pages 19 to 28 of this document, which set out the principal risk factors associated with an investment in the Group.

2 July 2014

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SUMMARY

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and the Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

SECTION A – INTRODUCTIONS AND WARNINGS

A1	Introduction and Warnings	This summary should be read as an introduction to the Prospectus. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.
A2	Subsequent resale of securities or final placement of securities through financial intermediaries	Not applicable. Utilico Finance is not engaging any financial intermediaries for any resale of securities or final placement of securities requiring a prospectus after publication of this document.

SECTION B – THE ISSUER AND GUARANTOR

B1	Legal & commercial name	The issuer of the Offered ZDP Shares is Utilico Finance Limited.
B2	Domicile/Legal form/Legislation/ Country of incorporation	Utilico Finance was incorporated as an exempted closed-ended investment company in Bermuda under the Bermuda Companies Act. Utilico Finance is domiciled in Bermuda.
B5	Group Structure	Utilico Finance is a wholly-owned subsidiary of Utilico (the guarantor) formed solely for the purpose of issuing zero dividend preference shares. Utilico Finance has no subsidiaries.
B6	Notifiable interests/Voting rights	All of the issued ordinary shares in Utilico Finance are held by Utilico. Save for Utilico, Utilico Finance is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over Utilico Finance. Neither Utilico Finance nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control over Utilico Finance.

B7	Financial information	Selected historical financial information of Utilico Finance for the financial periods ended 30 June 2011, 30 June 2012 and 30 June 2013:			
			<i>As at or for the period ended 30 June (audited)</i>		
			<i>2011</i>	<i>2012</i>	<i>2013</i>
		Interest income	11,602	13,388	14,333
		Total income	11,602	13,388	14,333
		Other expenses	–	–	–
		Profit before finance costs and taxation	11,602	13,388	14,333
		Finance costs	(11,602)	(13,388)	(14,333)
		Profit before tax	–	–	–
		Taxation	–	–	–
		Profit for the year	–	–	–
		Earnings per share – pence	–	–	–
		Current assets			
		Other receivables	172,762	226,390	199,784
		Current liabilities			
		ZDP Shares	–	(68,269)	–
		Total assets less current liabilities	172,762	158,121	199,784
		Non current liabilities			
		ZDP Shares	(172,762)	(158,121)	(199,784)
		Net assets	–	–	–
		Equity attributable to equity holders			
		Ordinary share capital	–	–	–
		Selected historical financial information of Utilico Finance for the six month periods ended 31 December 2012 and 31 December 2013:			
			<i>As at or for the period ended 31 December (unaudited)</i>		
			<i>2012</i>	<i>2013</i>	
		Interest income	7,565	7,124	
		Total income	7,565	7,124	
		Other expenses	–	–	
		Profit before finance costs and taxation	7,565	7,124	
		Finance costs	(7,565)	(7,124)	
		Profit before tax	–	–	
		Taxation	–	–	
		Profit for the year	–	–	
		Earnings per share – pence	–	–	
		Current assets			
		Other receivables	193,017	206,908	
		Current liabilities			
		ZDP Shares	–	(75,235)	
		Total assets less current liabilities	193,017	131,673	
		Non current liabilities			
		ZDP Shares	(193,017)	(131,673)	
		Net assets	–	–	
		Equity attributable to equity holders			
		Ordinary share capital	–	–	

		<p>On 26 January 2012, Utilico Finance raised gross proceeds of £22.3 million through the issue of 22,250,000 2018 ZDP Shares. On 15 March 2012, Utilico Finance raised gross proceeds of £29.3 million through the issue of 10,000,000 2014 ZDP Shares and 10,000,000 2016 ZDP Shares and on 25 October 2012 raised gross proceeds of £29.1 million through the issue of 27,592,413 2018 ZDP Shares. The gross proceeds of these placings were immediately transferred to Utilico pursuant to the Subscription Agreement.</p> <p>On 31 October 2012, Utilico Finance redeemed the 2012 ZDP Shares which had an aggregate accrued capital entitlement of £69.8 million. Pursuant to the Subscription Agreement, the funds for redemption were provided by Utilico.</p> <p>Other than as set out above, there has been no significant change in the financial condition and operating results of Utilico Finance during the period covered by the historical financial information or since 31 December 2013, being the date to which the latest unaudited half-yearly results of Utilico Finance were published.</p>
B8	Pro forma Information	Not applicable. No <i>pro forma</i> financial information has been included in this document for Utilico Finance.
B9	Profit estimate	Not applicable. No profit forecast or estimate made.
B10	Audit report qualifications	Not applicable. There are no qualifications in the audit reports of Utilico Finance in the three years ended 30 June 2013.
B11	Insufficiency of working capital	Not applicable. Utilico Finance 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.
B18	Guarantee	Pursuant to the subscription agreement dated 14 May 2007, as amended by an amendment agreement dated 30 November 2011 and an amendment agreement dated 2 July 2014, between Utilico and Utilico Finance, Utilico has undertaken 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 the relevant ZDP Repayment Date to satisfy the Final Capital Entitlement of the ZDP Shares then due and any operational costs or expenses incurred by Utilico Finance.
B19	Section B information about the guarantor as if it were the issuer of the same type of security that is the subject of the guarantee	Information on Utilico required for this summary is included in respect of each paragraph of this Section B as follows:
	B1 – Legal & commercial name	The guarantor’s legal and commercial name is Utilico Investments Limited.

	B2 – Domicile/ Legal form/ Legislation/ Country of incorporation	Utilico was incorporated as an exempted closed-ended investment company in Bermuda under the Bermuda Companies Act. Utilico is domiciled in Bermuda.																																																								
	B5 – Group Structure	Utilico's investments are held indirectly through wholly-owned subsidiary undertakings.																																																								
	B6 – Notifiable interests/Voting rights	<p>As at the close of business on the 1 July 2014, being the latest practicable date prior to the date of this document, in so far as is known to Utilico, the following persons (other than the Directors) were directly or indirectly interested in 3 per cent. or more of its issued share capital:</p> <table data-bbox="549 600 1388 891"> <thead> <tr> <th></th> <th style="text-align: right;"><i>Number of Utilico's Ordinary Shares</i></th> <th style="text-align: right;"><i>Percentage of Utilico's issued Ordinary Share capital</i></th> </tr> </thead> <tbody> <tr> <td>General Provincial Life Pension Fund (L) Limited</td> <td style="text-align: right;">56,767,393</td> <td style="text-align: right;">57.2</td> </tr> <tr> <td>F&C Asset Management plc</td> <td style="text-align: right;">11,647,101</td> <td style="text-align: right;">11.7</td> </tr> <tr> <td>ICM Limited</td> <td style="text-align: right;">4,284,000</td> <td style="text-align: right;">4.3</td> </tr> </tbody> </table> <p>Those persons referred to above do not have voting rights in respect of Utilico's share capital which differ from those of any other shareholder. Save in respect of General Provincial Life Pension Fund (L) Limited, whose interest is set out above, Utilico is not aware of any person who could, directly or indirectly, jointly or severally, exercise control over Utilico.</p> <p>Neither Utilico nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control over Utilico.</p>		<i>Number of Utilico's Ordinary Shares</i>	<i>Percentage of Utilico's issued Ordinary Share capital</i>	General Provincial Life Pension Fund (L) Limited	56,767,393	57.2	F&C Asset Management plc	11,647,101	11.7	ICM Limited	4,284,000	4.3																																												
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	B11 – Insufficiency of working capital	Not applicable. 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.																																																								

	B18 – Guarantee	Pursuant to the subscription agreement dated 14 May 2007, as amended by an amendment agreement dated 30 November 2011 and an amendment agreement dated 2 July 2014, between Utilico and Utilico Finance, Utilico has undertaken 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 the relevant ZDP Repayment Date to satisfy the Final Capital Entitlement of the ZDP Shares then due and any operational costs or expenses incurred by Utilico Finance.
B34	Investment policy	<p><i>Utilico's Investment Objective</i></p> <p>Utilico's current investment objective is to maximise shareholder returns by identifying and investing in investments where the underlying value is not reflected in the market price.</p> <p><i>Utilico's Investment Policy</i></p> <p>Utilico seeks to invest in undervalued investments and in accordance with its investment policy has the flexibility to make investments in a wide range of sectors and markets.</p> <p>The Company identifies and invests in opportunities where it believes the underlying value is not reflected in the market price. This perceived undervaluation may arise from any number of factors including technological, market motivation, prospective financial engineering opportunities, competition or shareholder apathy.</p> <p>In the short to medium term it is anticipated that Utilico will continue to have a significant proportion of its Gross Assets invested in developed markets in existing infrastructure, utility and related stocks, including (but not limited to) water and sewerage companies, waste, electricity, gas, telecommunications, ports, airports, service companies, rail, roads, any business with essential service or monopolistic characteristics and in any new utilities which may arise. The Company may also invest this segment of its portfolio in businesses which supply services to or otherwise support the infrastructure, utility and related sectors.</p> <p>Subject to compliance with the Listing Rules in force from time to time, Utilico may invest in other investment companies or vehicles, including any managed by the Manager, where such investment would be complementary to Utilico's investment objective and policy.</p> <p>The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities.</p> <p>The Company may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options and warrants and similar instruments for investment purposes and efficient portfolio management, including protecting the Company's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. These investments will be long term in nature.</p> <p>The Company has the flexibility to invest in markets worldwide although investments in the utilities and infrastructure sectors are principally made in the developed markets of Australasia, Western Europe and North America, as Utilico's exposure to the emerging markets infrastructure and utility sectors is primarily through its holding in Utilico Emerging Markets Limited.</p>

		<p>Utilico has the flexibility to invest directly in these sectors in emerging markets with the prior agreement of Utilico Emerging Markets Limited.</p> <p>The Company believes it is appropriate to support investee companies with their capital requirements whilst at the same time maintaining an active and constructive shareholder approach through encouraging the organisation of capital structure and business efficiencies. The Manager's investment team maintains regular contact with investee companies and Utilico may often be among the largest shareholders. There are no limits on the proportion of an investee company that Utilico may hold and Utilico may take legal or management control of a company from time to time.</p> <p>The Company aims to maximise value for Shareholders through a relatively concentrated portfolio of investments. There will be no fixed limits on the allocation of investments between sectors and markets, however the following investment limits will apply:</p> <ul style="list-style-type: none"> ● investments in unlisted companies will in aggregate not exceed 20 per cent. of Gross Assets at the time that any new investment is made. This restriction does not apply to the Company's holding of shares linked to a segregated account of GERP, an unquoted Bermuda segregated accounts company. This account, which is structured as the Bermuda equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company; and ● no single investment will exceed 30 per cent. of Gross Assets at the time such investment is made, save that this limit shall not prevent the exercise of warrants, options or similar convertible instruments acquired prior to the relevant investment reaching the 30 per cent. limit.
B35	Borrowing/ leverage limits	<p>Under the Bye-laws, the Group is permitted to borrow an aggregate amount equal to 100 per cent. of Gross Assets (excluding the gearing provided through the Group's capital structure). Borrowings may be drawn down in any currency appropriate for the portfolio.</p> <p>However, the Board has set a current limit on gearing (being total borrowings excluding ZDP Shares measured against Gross Assets) not exceeding 33.3 per cent. at the time of draw down. No material change will be made to this borrowing limit without the prior approval of Shareholders. Any such change would also require the approval of the ZDP Shareholders in accordance with the Subscription Agreement.</p> <p>Borrowings may be drawn down in sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).</p>
B36	Regulatory status	Neither Utilico Finance nor Utilico is regulated.
B37	Investor profile	An investment in the Offered ZDP Shares is intended to constitute part of a diversified investment portfolio for institutional or high net worth/sophisticated investors who are seeking exposure to a wide range of sectors and markets through a relatively concentrated portfolio of investments. An investor in the Offered ZDP Shares will be capable of evaluating the risks (including potential capital loss) and merits of such investments. Any investor must be able to accept the possibility of losses and an investment in Offered ZDP Shares is only intended for investors who can afford to set aside the invested capital for a number of years.

B38	Investment of 20 per cent. or more in single underlying asset or investment company	<p>More than 20 per cent. of the Gross Assets of the Company are exposed to the creditworthiness or solvency of Utilico Emerging Markets Limited. As at 31 May 2014 (being the latest practicable date prior to the publication of this document) Utilico's investment in Utilico Emerging Markets Limited represents 27.0 of the Company's portfolio.</p> <p>Utilico Emerging Markets Limited is a closed-ended investment company whose shares are admitted to the Official List (premium segment) and to trading on the London Stock Exchange's main market for listed securities. Utilico Emerging Markets Limited is incorporated in Bermuda with company number 36941.</p> <p>Utilico Emerging Markets Limited's registered office is in Bermuda and is located at Trinity Hall, 43 Cedar Avenue, Hamilton HM11, Bermuda.</p>
B39	Investment of 40 per cent. or more in single underlying asset or investment company	<p>Not applicable. The Group has not invested more than 40 per cent. of its Gross Assets in a single asset or collective investment undertaking.</p>
B40	Service providers	<p><i>Manager</i></p> <p>The Manager, ICM Limited, has been appointed as investment manager to Utilico. The Management Agreement is subject to termination on 6 months' notice by the Manager and 12 months' notice by Utilico.</p> <p>Under the terms of the Management Agreement, the Manager is entitled to a management fee equal to 0.5 per cent. per annum of the Gross Assets, payable by Utilico semi-annually in arrears. The Manager is also reimbursed its reasonable out of pocket expenses. The Manager has agreed to reduce the management fee to 0.25 per cent. per annum from 1 January 2014 until the high water mark of 289.81p is regained.</p> <p>The Manager is also entitled to an annual performance fee calculated in accordance with the terms of the Management Agreement of 15 per cent. of that portion of the return (before the accrual of the performance fee and as adjusted for dividends) obtained by Shareholders during a financial year which is in excess of the yield of the FTSE Actuaries Govt. Securities UK Gilts 5 to 10 years Index based on the Net Asset Value attributable to Ordinary Shares at the beginning of the year subject to a "high water mark". The latest calculation period for the performance fee was the period from 1 July 2012 to 30 June 2013 and no performance fee was paid in respect of this period.</p> <p><i>Administration</i></p> <p>F&C Management Limited has been appointed as administrator to Utilico and Utilico Finance. The Administrator's appointment is terminable, <i>inter alia</i>, upon six months' notice in writing by either party.</p>
B41		<p>Under the terms of the Administration Agreement, the Administrator is entitled to a fee of £295,000 per annum.</p> <p><i>Custody</i></p> <p>JPMorgan Chase Bank N.A. (JPMorgan) acts as custodian to the Group's assets and, in that capacity, is responsible for ensuring safe custody and dealing with settlement arrangements. JPMorgan's appointment as custodian is terminable, <i>inter alia</i>, upon 60 days' notice given by either party.</p>

		<p>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. The fees paid to JPMorgan under the Custody Agreement for the year ended 30 June 2013 was £78,352 and the Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £80,000.</p> <p>The Company has also appointed Bermuda Commercial Bank Limited (BCB) to act as its custodian in respect of such cash and investments as Utilico shall from time to time deposit with it. The fees payable to BCB depend on the nature and quality of the assets deposited with BCB and there is no minimum fee. The fees paid to BCB under the BCB Custody Agreement for the year ended 30 June 2013 was £51,522 and the Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £55,000.</p> <p><i>Registration Services</i></p> <p>Computershare Investor Services (Jersey) Limited (Computershare) has been appointed as branch registrar to maintain in Jersey a branch copy of the register of Shareholders. Each of Utilico and Utilico Finance has entered into a Registrar Agreement with Computershare which may be terminated, <i>inter alia</i>, on 6 months' notice by either party. In return for providing such services the Registrar is entitled to an annual fee plus reimbursement of certain expenses incurred by the Registrar in connection with its duties from each of Utilico and Utilico Finance. The fees paid to Computershare under the Registrar Agreement for the year ended 30 June 2013 was £16,884 and the Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £20,000.</p> <p><i>Depositary and Custody services</i></p> <p>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 may be terminated, <i>inter alia</i>, on 6 months' notice by either party. In return for providing such services, the Depositary is entitled to a set-up fee and ongoing annual fees. The fees paid to Computershare Investor Services PLC under the Depositary and Custody Services Agreement for the year ended 30 June 2013 was £36,457 and the Directors do not anticipate that the annual fees going forward will be materially different and therefore the estimated maximum amount payable per annum is £40,000.</p>
B42	NAV	Utilico's Net Asset Value and NAV per Ordinary Share are calculated by the Administrator on a weekly basis. Utilico's NAV per Ordinary Share is announced through the London Stock Exchange without delay once calculated
B43	Umbrella collective investment undertaking	Not applicable. Neither Utilico Finance nor Utilico is an umbrella collective investment undertaking.
B45	Portfolio	The following table provides unaudited summary details of the ten largest investments in Utilico's portfolio which represent in excess of 50 per cent. by value of the portfolio on a look through basis as at 31 May 2014 (being the latest practicable date prior to the publication of this document).

		<i>Market value (£'000)</i>	<i>Percentage of total portfolio</i>
	<i>Company</i>		
	Utilico Emerging Markets Limited	106,227	27.0
	Infratil Limited	60,455	15.4
	Somers Limited	44,065	11.2
	Resolute Mining Limited	39,541	10.0
	Zeta Resources Limited	33,384	8.5
	Vix Group	25,149	6.4
	Bermuda First Investment Company Limited	15,165	3.9
	Renewable Energy Generation Limited	11,315	2.9
	Augean plc	8,993	2.3
	Seacrest Limited	7,646	1.9
		<u>351,940</u>	<u>89.5</u>
	Source: the Company		
	The following table shows the sectoral distribution of Utilico's portfolio on a look through basis as at 31 May 2014 (being the latest practicable date prior to the publication of this document):		
	<i>Sector</i>		<i>Percentage of total portfolio</i>
	Renewables		13.9
	Oil & Gas		13.9
	Other		13.4
	Financial Services		13.3
	Gold Mining		10.9
	Infrastructure IT		7.1
	Water & Waste		6.1
	Ports		5.8
	Airports		4.7
	Electricity		4.5
	Toll Roads		4.0
	Telecoms		1.6
	Infrastructure Investment Funds		0.8
			<u>100.0</u>
B46	NAV per Ordinary Share	Utilico's most recent published NAV was as at 24 June 2014 and was £170.6 million, reflecting 172.10 pence per Ordinary Share.	

SECTION C – SECURITIES

C1	Offer details/ Admission	2020 zero dividend preference shares of par value 6.0514 pence each ISIN: BMG931371006 2016 zero dividend preference shares of 10 pence each ISIN: BMG931261298 2018 zero dividend preference shares of 5.9319 pence each ISIN: BMG931261371
C2	Currency of the Issue	Sterling

C3	Issued Shares	<table border="1"> <thead> <tr> <th></th> <th colspan="2"><i>Authorised</i></th> <th colspan="2"><i>Issued and fully paid as at the date of this document</i></th> <th colspan="2"><i>Issued and fully paid as at Rollover and Initial Placing Admission</i></th> </tr> <tr> <th></th> <th><i>No.</i></th> <th><i>£</i></th> <th><i>No.</i></th> <th><i>£</i></th> <th><i>No.</i></th> <th><i>£</i></th> </tr> </thead> <tbody> <tr> <td>Ordinary shares</td> <td>10</td> <td>1</td> <td>10</td> <td>1</td> <td>10</td> <td>1</td> </tr> <tr> <td>2012 ZDP Share</td> <td>60,592,190</td> <td>6,059,219</td> <td>–</td> <td>–</td> <td>–</td> <td>–</td> </tr> <tr> <td>2014 ZDP Shares</td> <td>50,000,000</td> <td>5,000,000</td> <td>47,500,000</td> <td>4,750,000</td> <td>47,500,000</td> <td>4,750,000</td> </tr> <tr> <td>2016 ZDP Shares</td> <td>60,000,000</td> <td>6,000,000</td> <td>47,500,000</td> <td>4,750,000</td> <td>47,500,000</td> <td>4,750,000</td> </tr> <tr> <td>2018 ZDP Shares</td> <td>59,842,413</td> <td>3,549,792</td> <td>49,842,413</td> <td>2,956,000</td> <td>49,842,413</td> <td>2,956,000</td> </tr> <tr> <td>2020 ZDP Shares</td> <td>25,000,000</td> <td>1,512,850</td> <td>–</td> <td>–</td> <td>up to 25,000,000</td> <td>up to 1,512,850</td> </tr> </tbody> </table>		<i>Authorised</i>		<i>Issued and fully paid as at the date of this document</i>		<i>Issued and fully paid as at Rollover and Initial Placing Admission</i>			<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>	Ordinary shares	10	1	10	1	10	1	2012 ZDP Share	60,592,190	6,059,219	–	–	–	–	2014 ZDP Shares	50,000,000	5,000,000	47,500,000	4,750,000	47,500,000	4,750,000	2016 ZDP Shares	60,000,000	6,000,000	47,500,000	4,750,000	47,500,000	4,750,000	2018 ZDP Shares	59,842,413	3,549,792	49,842,413	2,956,000	49,842,413	2,956,000	2020 ZDP Shares	25,000,000	1,512,850	–	–	up to 25,000,000	up to 1,512,850
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2020 ZDP Shares	25,000,000	1,512,850	–	–	up to 25,000,000	up to 1,512,850																																																				
C4	Rights attaching to securities	<p>The rights attaching to the 2020 ZDP Shares will be substantially similar to those attaching to the 2014 ZDP Shares but, subject to Rollover and Initial Placing Admission occurring, the 2020 ZDP Shares will have an illustrative initial capital entitlement on 31 July 2014 of 100p per 2020 ZDP Share and will have a Final Capital Entitlement of 154.90p per 2020 ZDP Share on 31 October 2020, the 2020 ZDP Repayment Date, equivalent to a Gross Redemption Yield of 7.25 per cent. per annum on the 2020 ZDP Share issue price.</p> <p>As with the 2014 ZDP Shares, the 2020 ZDP Shares will not carry the right to vote at general meetings of Utilico or Utilico Finance but they will carry the right to vote as a class on certain proposals which would be likely to affect materially their position. The 2020 ZDP Shares will carry no entitlement to income and the whole of any return will therefore take the form of capital.</p> <p>Neither the 2016 ZDP Shares nor the 2018 ZDP Shares carry the right to vote at general meetings of Utilico or Utilico Finance but carry the right to vote as a class, respectively, on certain proposals which would be likely to affect materially their position. Neither the 2016 ZDP Shares nor the 2018 ZDP Shares carry any entitlement to income and the whole of any return will therefore take the form of capital.</p>																																																								
C5	Restrictions on transferability	The Offered ZDP Shares are freely transferable																																																								
C6	Applications for admission	<p>Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the 2020 ZDP Shares issued pursuant to the Rollover Offer and the Initial Placing to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities (together Rollover and Initial Placing Admission). It is expected that Rollover and Initial Placing Admission will become effective and that unconditional dealings in such 2020 ZDP Shares will commence on the London Stock Exchange on 31 July 2014.</p> <p>Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the Placing ZDP Shares issued pursuant to the Placing Programme to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities (together Subsequent Admission). It is expected that Subsequent Admissions will become effective and that unconditional dealings in such Placing ZDP Shares will commence on the London Stock Exchange during the period from 2 July 2014 to 1 July 2015.</p>																																																								
C7	Dividend policy	Not applicable. No dividends will be paid to any ZDP Shareholders.																																																								

SECTION D – RISKS

D2	Key information on the key risks specific to the Company	<p>Investors should consider carefully the following risks which could have a material adverse effect on Utilico Finance and/or Utilico:</p> <ul style="list-style-type: none"> ● The success of the investment strategies followed by the Manager depends upon the Manager’s success at interpreting market data and predicting the future course of price movements of securities and other investments. No assurance can be given that the strategies to be used will be successful which may ultimately have a material adverse effect on Utilico’s ability to meet its obligations to Utilico Finance under the Subscription Agreement and thereby on Utilico Finance’s ability to pay the Final Capital Entitlement on the Offered ZDP Shares in full on the relevant ZDP Repayment Date. ● Utilico’s investment approach is to invest in a relatively concentrated portfolio of investments. Accordingly, Utilico may be regarded as representing a different risk than a generalist investment company and the underperformance of an investment may have an adverse impact on the profitability of the Company. ● The Company’s investment policy is broad in scope and permits investment in the securities of companies in specialist sectors and smaller and/or unquoted companies that can involve greater risk than is customarily associated with investment in larger, more established companies. It may be difficult to value or realise investments in such companies as they are often less liquid and potentially subject to a greater degree of price fluctuation. If the realisable value of the Group’s assets is less than the Company’s valuation of those assets, this may ultimately have a material adverse effect on Utilico’s ability to meet its obligations to Utilico Finance under the Subscription Agreement and thereby on Utilico Finance’s ability to pay the Final Capital Entitlement on the Offered ZDP Shares in full on the relevant ZDP Repayment Date. ● Utilico uses gearing in addition to the structural gearing provided by the ZDP Shares exposing investors to increased risk as gearing can increase the portfolio’s market exposure and volatility.
D3	Key information on the key risks that are specific to the securities	<ul style="list-style-type: none"> ● Utilico’s ZDP Share obligations under the Subscription Agreement are structurally subordinated to the liabilities of Utilico under the Loan Facility, which is secured against Utilico’s assets. Any default under that facility could ultimately have a material adverse effect on the ability of Utilico Finance to pay the Final Capital Entitlement on the Offered ZDP Shares in full on the relevant ZDP Repayment Date. ● The ZDP Shares have differing priorities on return of capital, with the holders of 2014 ZDP Shares ranking in priority to the holders of the 2016 ZDP Shares, the holders of the 2016 ZDP Shares ranking in priority to the holders of the 2018 ZDP Shares and the holders of the 2018 ZDP Shares ranking in priority to the holders of 2020 ZDP Shares in respect of their Accrued Capital Entitlements in the event that the Company or Utilico Finance is wound up. ● The Final Capital Entitlement for any class of ZDP Shares is not guaranteed. If Utilico Finance does not have sufficient cash resources or if Utilico does not, or is unable to, meet its obligation to contribute such funds to Utilico Finance under the Subscription Agreement, Utilico Finance will be unable to pay the Final Capital Entitlement of the ZDP Shares and ZDP Shareholders may lose some or all of their Final Capital Entitlement.

		<ul style="list-style-type: none"> ● The market value of any class of 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 ZDP Shares. ● In the event that a redemption date of any class of ZDP Share coincides with a period of extreme market volatility, the Company may be forced to liquidate certain of its investments at a materially disadvantageous point in time in order to generate sufficient redemption proceeds. ● The Finance Act 2013 contains new rules (the New Rules) intended to make returns which are economically equivalent to interest subject to income tax as income. Although the Directors believe that the 2020 ZDP Shares should fall within an exemption, if the New Rules apply to the 2020 ZDP Shares, it is likely that the return on the ZDP Shares would be subject to tax as income in the hands of UK resident individuals and others who are subject to UK income tax.
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SECTION E – THE ROLLOVER OFFER, INITIAL PLACING AND PLACING PROGRAMME

E1	Net proceeds and expenses	<p>The net proceeds of the Rollover Offer, Initial Placing and Placing Programme are dependent on the level of take up under the Rollover Offer, the Initial Placing and the Placing Programme and the class of ZDP Shares issued pursuant to the Placing Programme.</p> <p>The maximum estimated expenses of the Rollover Offer and the Initial Placing are £600,000 and are expected to be met out of the gross proceeds of the Initial Placing, reducing the funds available to be invested on Shareholders' behalf. Assuming the Initial Placing is fully subscribed and no 2020 ZDP Shares are issued pursuant to the Rollover Offer, the maximum net proceeds of the Initial Placing will be £24.4 million. However, 2020 ZDP Shares will not be issued unless the ZDP Cover of the 2020 ZDP Shares is not less than 1.35x, taking into account the effect of the relevant allotment.</p> <p>The expenses of the Placing Programme are expected to be met out of the gross proceeds of the Placing Programme, reducing the funds available to be invested on Shareholders' behalf. The estimated expenses of the Placing Programme (including any commissions) will be approximately 1 per cent. of the gross proceeds. The maximum net proceeds of the Placing Programme, assuming an Issue Price of 176.75p for the 2016 ZDP Shares and 127.00p for the 2018 ZDP Shares (being the respective bid prices of the 2016 ZDP Shares and 2018 ZDP Shares on 30 June 2014 (being the latest practicable date prior to the publication of this document)) and that the Initial Placing is fully subscribed and therefore that no 2020 ZDP Shares will be issued pursuant to the Placing Programme, will be £30.1 million. However, 2016 ZDP Shares and 2018 ZDP Shares will not be issued pursuant to the Placing Programme unless the ZDP Cover of the 2016 ZDP Shares and the 2018 ZDP Shares is not less than 1.5x and the ZDP Cover of the 2020 ZDP Shares is not less than 1.35x taking into account the effect of the relevant allotment.</p>
E2a	Reasons for the Offer and Use of Proceeds	<p>Utilico Finance currently has three series of ZDP Share in issue. These are due for redemption on 31 October in 2014, 2016 and 2018 respectively. The aggregate redemption sum payable on the redemption of the 2014 ZDP Shares is approximately £79.6 million. This will be due on 31 October 2014. Following discussions regarding the payment of the Final Capital Entitlement in respect of the 2014 ZDP Shares, the Directors have</p>

		<p>concluded that they wish to provide 2014 ZDP Shareholders with the opportunity to remain invested in the Group and as a result have formulated the Proposals, which consist of the Rollover Offer, the Initial Placing and the Placing Programme.</p> <p>The Board believes the Proposals have the following advantages:</p> <ul style="list-style-type: none"> ● to allow 2014 ZDP Shareholders to remain invested in the Group; ● to allow Utilico Finance to issue a new class of 2020 ZDP Shares to satisfy demand over a period of time; ● to increase the number of 2020 ZDP Shares in issue following the Rollover Offer, thereby enabling the Company to attract a wider range of investors which, in turn, would be expected to improve the liquidity in the 2020 ZDP Shares; and ● to raise new funds to assist financing the amount required for the redemption of the 2014 ZDP Shares. <p>The net proceeds of the Initial Placing and the Placing Programme will be paid to Utilico for investment to continue to further diversify its portfolio in accordance with its investment policy.</p>
E3	Terms and conditions	<p>Utilico Finance is seeking to issue up to 25,000,000 2020 ZDP Shares by way of the Rollover Offer, Initial Placing and Placing Programme and up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares pursuant to the Placing Programme.</p> <p>The Rollover Offer</p> <p>Under the Rollover Offer, each Qualifying Holder of 2014 ZDP Shares on the Record Date will be given the opportunity to rollover some or all of their Qualifying Holding (subject to the overall limits of the Rollover Offer) into new 2020 ZDP Shares. The Rollover Value attributed to each 2014 ZDP Share will be 165.25p, a premium of 0.35 per cent. to their Accrued Capital Entitlement as at the Rollover Date. The new 2020 ZDP Shares arising on the conversion of 2014 ZDP Shares pursuant to the Rollover Offer will be deemed to be issued at the 2020 ZDP Share issue price, which will be 100p per 2020 ZDP Share.</p> <p>The 2020 ZDP Shares will have a Gross Redemption Yield of 7.25 per cent. and a maturity date of 31 October 2020. Based on the Assumptions, if pursuant to the Rollover Offer 10,000,000 new 2020 ZDP Shares arise on the conversion of 2014 ZDP Shares, the 2020 ZDP Shares will have a ZDP Cover of 1.46x following the Rollover Offer.</p> <p><i>Conditions to the Rollover Offer</i></p> <p>The Rollover Offer is conditional on:</p> <ul style="list-style-type: none"> ● valid elections being received in respect of 2020 ZDP Shares, together with any 2020 ZDP Shares issued pursuant to the Initial Placing and allotted at the same time as the 2020 ZDP Shares issued under the Rollover Offer, with a minimum value, at the 2020 ZDP Share issue price, of £750,000; ● ZDP Cover of the 2020 ZDP Shares being not less than 1.35x, taking into account the effect of the relevant allotment; ● the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms; and

- Admission of the 2020 ZDP Shares issued pursuant to the Rollover Offer and, if applicable, the Initial Placing.

In circumstances in which these conditions are not fully met, the Rollover Offer will not take place and no 2014 ZDP Shares will be converted into 2020 ZDP Shares.

The Initial Placing and the Placing Programme

Utilico Finance also intends to issue up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued under the Rollover Offer) pursuant to the Initial Placing and the Placing Programme and up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares pursuant to the Placing Programme.

Under the Initial Placing, Utilico Finance is proposing to issue up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued under the Rollover Offer) at the Initial Placing Price, which will be 100p per 2020 ZDP Share. Westhouse Securities has agreed under the Placing Agreement to use its reasonable endeavours to procure placees for 2020 ZDP Shares at the Initial Placing Price. The Initial Placing will close at 11.00 a.m. on 25 July 2014 (or such later date, not being later than 31 August 2014, as the Company and Westhouse Securities may agree). If the Initial Placing is extended, the revised timetable will be notified via an RIS.

Under the Placing Programme, Utilico Finance has the ability to issue up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued under the Rollover Offer and the Initial Placing) and up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares at the applicable Issue Price. The Placing Programme is flexible and may have a number of closing dates in order to provide Utilico Finance with the ability to issue Placing ZDP Shares over a period of time. The Placing Programme will open on 2 July 2014 and will close on 1 July 2015 (or any earlier date on which it is fully subscribed). The Placing ZDP Shares will, when issued, rank equally with the ZDP Shares of the relevant class then in issue.

Conditions to each allotment of Placing ZDP Shares under the Initial Placing and the Placing Programme

The Initial Placing and each allotment of Placing ZDP Shares under the Initial Placing and the Placing Programme is conditional on:

- the Issue Price being not less than the Accrued Capital Entitlement of the relevant Placing ZDP Shares at the time of the relevant allotment;
- in the case of the proposed issue of: (i) 2020 ZDP Shares, the ZDP Cover of the 2020 ZDP Shares being not less than 1.35x; (ii) 2016 ZDP Shares, the ZDP Cover of the 2016 ZDP Shares and the 2018 ZDP Shares being not less than 1.5x and the ZDP Cover of the 2020 ZDP Shares being not less than 1.35x; and (iii) 2018 ZDP Shares, the ZDP Cover of the 2018 ZDP Shares being not less than 1.5x and the ZDP Cover of the 2020 ZDP Shares being not less than 1.35x, in each case taking into account the effect of the relevant allotment; and
- Admission of the Placing ZDP Shares issued pursuant to such allotment.

		In circumstances in which these conditions are not fully met, the relevant issue of Placing ZDP Shares pursuant to the Initial Placing or the Placing Programme will not take place.
E4	Material interests	Not applicable. There are no interests that are material to the Rollover Offer, the Initial Placing or the Placing Programme and no conflicting interests.
E5	Sellers	Not applicable.
E6	Dilution	<p>The percentage holding of a holder of 2016 ZDP Shares or 2018 ZDP Shares will be diluted to the extent that they do not participate in any placing of 2016 ZDP Shares or 2018 ZDP Shares pursuant to the Placing Programme <i>pro rata</i> to their current holding of such ZDP Shares.</p> <p>If 10,000,000 2016 ZDP Shares or 2018 ZDP Shares are issued pursuant to the Placing Programme (being in aggregate the maximum number of 2016 ZDP Shares and 2018 ZDP Shares that can be issued pursuant to the Placing Programme) a holder of 2016 ZDP Shares or 2018 ZDP Shares representing 10 per cent. of the relevant class of ZDP Shares and not subscribing for any Placing ZDP Shares under the Placing Programme would hold 8.3 per cent. of the 2016 ZDP Shares or the 2018 ZDP Shares, as applicable, in issue following the close of the Placing Programme.</p> <p>No 2020 ZDP Shares are currently in issue.</p>
E7	Expenses	The maximum estimated expenses of the Rollover Offer and Initial Placing of £600,000 are expected to be met out of the gross proceeds of the Initial Placing. The estimated expenses of the Placing Programme are expected to be met out of the gross proceeds of the Placing Programme and will be approximately 1 per cent. of such proceeds. No additional expenses will be charged to investors under the Rollover Offer, the Initial Placing or the Placing Programme.

RISK FACTORS

Investment in the Offered ZDP Shares involves a high degree of risk. Accordingly prospective and existing investors should review this document carefully and consider all of the information contained in this document and the risks attaching to an investment in Utilico Finance and the Group prior to making any investment decision. The risks referred to below are all the material risks applicable to Utilico Finance, the Group and the Offered ZDP Shares 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 Finance, the Group and the Offered ZDP Shares.

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

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

Risks relating to the Offered ZDP Shares

Consequences of a standard listing

The 2016 ZDP Shares and the 2018 ZDP Shares are, and the 2020 ZDP Shares are expected to be, admitted to the standard listing segment of the Official List and as a consequence additional ongoing requirements and protections applicable under the Listing Rules to a company admitted to the premium listing segment of the Official List will not apply to Utilico Finance.

Utilico Finance is listed under Chapter 14 of the Listing Rules and as a consequence a significant number of the Listing Rules will not apply to Utilico Finance. ZDP Shareholders will therefore not receive the full protections of the Listing Rules.

Subordination of ZDP Shares obligations under the Subscription Agreement

The ZDP Shares rank ahead of the Ordinary Shares in the event of a winding up of the Group. However, Utilico Finance has no assets other than the obligation of Utilico to put Utilico Finance in a position to meet its obligations in respect of the ZDP Shares pursuant to the Subscription Agreement.

Utilico's obligations under the Subscription Agreement are structurally subordinated to the liabilities of Utilico under the Loan Facility, which is secured against Utilico's assets. Accordingly if there are defaults under that facility and the lender were to enforce that security, that would have a material adverse effect on the ability of Utilico to meet its obligations to Utilico Finance and thereby on Utilico Finance's ability to pay the Final Capital Entitlement on the Offered ZDP Shares in full on the relevant ZDP Repayment Date.

ZDP Shareholders will not receive any payment until the relevant ZDP Repayment Date

ZDP Shareholders only have the right to receive the Final Capital Entitlement on the relevant ZDP Repayment Date. ZDP Shareholders wishing to realise their investment earlier will have to dispose of their ZDP Shares through the stock market. However, there can be no guarantee that a listing will be maintained or that there will be a liquid market for the ZDP Shares (see "No guarantee that a listing will be maintained" and "No guarantee active trading market will develop or be maintained for the Offered ZDP Shares" below).

Final Capital Entitlement is not guaranteed

The Final Capital Entitlement of any class of ZDP Shares, which is intended to be paid on the relevant ZDP Repayment Date, is not guaranteed. Utilico Finance's ability to pay the Final Capital Entitlement of any class of ZDP Shares is dependent on it having sufficient cash resources to meet such obligation or Utilico meeting its obligation under the Subscription Agreement to contribute such funds to Utilico Finance. If Utilico does not, or is unable to, meet its obligations under the Subscription Agreement, Utilico Finance will be unable to

pay the Final Capital Entitlement of the ZDP Shares and ZDP Shareholders may not receive some or all of their Final Capital Entitlement.

Based on the Assumptions, should the total assets of the Group have fallen:

- (i) by more than 5.84 per cent. per annum until 31 October 2020 the holders of the 2020 ZDP Shares will receive less than their Final Capital Entitlement;
- (ii) by more than 29.72 per cent. per annum until 31 October 2016 the holders of the 2016 ZDP Shares will receive less than their Final Capital Entitlement; and
- (iii) by more than 9.68 per cent. per annum until 31 October 2018 the holders of the 2018 ZDP Shares will receive less than their Final Capital Entitlement.

The ability of Utilico to meet its obligations under the Subscription Agreement depends on its ability to realise value from its investment portfolio or to borrow funds or raise equity on or prior to the relevant ZDP Repayment Date. Events or changes that will have a material adverse effect on the business of Utilico or on the Group's ability to realise its investments for their present value may have a material adverse effect on Utilico's ability to meet its obligations to Utilico Finance under the Subscription Agreement and thereby on Utilico Finance's ability to pay the Final Capital Entitlement on the Offered ZDP Shares in full on the relevant ZDP Repayment Date.

Should Utilico be wound up prior to any ZDP Repayment Date, holders of the relevant ZDP Shares would only receive their Accrued Capital Entitlement to the date of the winding-up. This would be less than the Final Capital Entitlement and would be subject to Utilico having sufficient net assets to meet its obligations under the Subscription Agreement.

The ZDP Shares have differing priorities on a return of capital

In the event that Utilico or Utilico Finance is wound up prior to 31 October 2014, holders of 2014 ZDP Shares will rank in priority to holders of 2016 ZDP Shares, who in turn will rank in priority to holders of 2018 ZDP Shares, who in turn will rank in priority to holders of 2020 ZDP Shares, in respect of their Accrued Capital Entitlements.

In the event that Utilico or Utilico Finance is wound-up prior to 31 October 2016, holders of 2016 ZDP Shares will rank in priority to holders of 2018 ZDP Shares who in turn will rank in priority to holders of 2020 ZDP Shares in respect of their Accrued Capital Entitlements.

In the event that Utilico or Utilico Finance is wound up after 31 October 2016 but before 31 October 2018 holders of 2018 ZDP Shares will rank in priority to holders of 2020 ZDP Shares in respect of their Accrued Capital Entitlements.

No guarantee that a listing will be maintained

Listing Rule 14.2.2 requires a minimum of 25 per cent. of each class of ZDP Shares to be in public hands. Persons in the same group or acting in concert who have an interest in 5 per cent. or more of a class of ZDP Shares will be excluded from the calculation of the public hands requirement.

The Rollover Offer is conditional on Admission of the 2020 ZDP Shares, and therefore subject to the satisfaction of Listing Rule 14.2.2 as to the number of 2020 ZDP Shares held in public hands as at Admission. The Directors will have the discretion to scale back elections under the Rollover Offer otherwise than on a pro rata basis and whether or not such elections are in excess of a 2014 ZDP Shareholder's Basic Entitlement if the Directors consider this necessary to ensure that sufficient 2020 ZDP Shares are held in public hands to satisfy the Listing Rule requirement. In particular, the Directors may exercise their discretion so that the relevant 2020 ZDP Shares can be placed pursuant to the Initial Placing and/or the Placing Programme in order to satisfy this Listing Rule.

If the number of any class of ZDP Shares in public hands falls below the requisite threshold after Admission, then the listing of that class of ZDP Shares may not be capable of being maintained and this is likely to reduce the liquidity of that class of ZDP Shares and to have a material adverse effect on the ability to sell the ZDP Shares for value prior to the relevant ZDP Repayment Date.

No guarantee active trading market will develop or be maintained for the Offered ZDP Shares

Listing should not be taken as implying that there will be a liquid market for the Offered ZDP Shares. The Offered ZDP Shares may not be widely held. There is no guarantee an active trading market will develop or be sustained for any class of the Offered ZDP Shares after Admission. If an active trading market is not developed or maintained, the market price for the ZDP Shares may fall below the applicable Issue Price and ZDP Shareholders may not realise their initial investment.

Interest rate rises are likely to lead to reductions in the market value of the Offered ZDP Shares

The market value of the Offered 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 Offered ZDP Shares, as the differential in return profile between the Offered ZDP Shares and alternative investments is likely to narrow.

ZDP Shares may trade at a discount

ZDP Shares may trade at a discount to their Accrued Capital Entitlement, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition and prospects of the Group. The value of ZDP Shares can go down as well as up.

Other factors that may impact on market price and the realisable value of any Offered ZDP Shares

The market price and the realisable value of any Offered ZDP Shares, will be affected by interest rates, supply and demand for those Offered ZDP Shares, market conditions and general investor sentiment. As such, the market value and the realisable value (prior to redemption) of any Offered ZDP Shares will fluctuate and may vary considerably. In addition, the published market price of the Offered ZDP Shares will be, typically, their middle market price. Due to the potential difference between the middle market price of the Offered ZDP Shares and the price at which the Offered ZDP Shares can be sold, there is no guarantee that the realisable value of the Offered ZDP Shares will be the same as the published market price.

Dilution

Utilico Finance may issue further 2020 ZDP Shares, 2016 ZDP Shares and/or 2018 ZDP Shares under the Placing Programme, which may dilute the existing investors' interests in such classes of ZDP Shares. While Utilico Finance is only permitted to (i) issue 2020 ZDP Shares in circumstances where such issue would not reduce ZDP Cover of the 2020 ZDP Shares below 1.35x; (ii) issue 2016 ZDP Shares in circumstances where such issue would not reduce the ZDP Cover of the 2016 ZDP Shares and the 2018 ZDP Shares below 1.5x or the 2020 ZDP Shares below 1.35x; and (iii) issue 2018 ZDP Shares in circumstances where such issue would not reduce the ZDP Cover of the 2018 ZDP Shares below 1.5x and the 2020 ZDP Shares below 1.35x, such additional issues of 2020 ZDP Shares, 2016 ZDP Shares and 2018 ZDP Shares may dilute existing ZDP Shareholders' voting interests.

Risks relating to Utilico and Utilico Finance**Past performance**

The past performance of Utilico and other investment companies managed or advised by the Manager or its affiliates is not indicative of the future performance of Utilico. There can be no guarantee that Utilico's investment objective will be achieved. Utilico's ability to achieve returns may be adversely affected in the event of significant or sustained changes in market returns or volatility.

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. If the total assets of the Group have fallen, based on the Assumptions, by more than 5.84 per cent. per annum until 31 October 2020 the holders of the 2020 ZDP Shares will receive less than their Final Capital Entitlement.

Investment strategies

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

The performance of Utilico's investment programme depends to a great extent on correct assessments of the future course of price movements of securities and other investments selected by the Manager. There can be no assurance that the Manager will be able to accurately predict these price movements. With respect to the investment strategies utilised by the Manager, there is always some, and occasionally a significant, degree of market risk. If Utilico's investment strategy is unsuccessful this may have a material adverse effect on Utilico's ability to meet its obligations to Utilico Finance under the Subscription Agreement and thereby on Utilico Finance's ability to pay the Final Capital Entitlement on the Offered ZDP Shares in full on the relevant ZDP Repayment Date.

Investment approach

Utilico seeks to invest in undervalued investments and, in accordance with its investment policy, has the ability to make investments in a wide range of sectors and markets. Utilico aims to maximise value for Shareholders through a relatively concentrated portfolio of investments. Accordingly, Utilico may be regarded as representing a different risk than a generalist investment company.

Any utilities and infrastructure 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 utilities and infrastructure regulatory framework is still developing. The existing dominant market position of some utilities and infrastructure 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 89.5 per cent. of the portfolio (as at the latest practicable date prior to publication of this document) and includes Utilico Emerging Markets Limited (an investment company investing in infrastructure, utility and related sectors, mainly in emerging markets), Infratil Limited (a holding company with investments in the power and transportation sectors), Zeta Resources Limited (a holding company with investments in the resources sector) and Bermuda First Investment Company Limited (a holding company with investments in Bermuda companies) any of which may have common investments with Utilico.

Investment policy

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

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

If the realisable value of the Group's assets is less than Utilico's valuation of those assets or the Group suffers a loss on the debt instruments held within its portfolio, this may have a material adverse effect on Utilico's ability to meet its obligations to Utilico Finance under the Subscription Agreement and thereby on Utilico Finance's ability to pay the Final Capital Entitlement on the Offered ZDP Shares in full on the relevant ZDP Repayment Date.

Economic Conditions

Utilico and its investments are materially affected by conditions in the global financial markets and economic conditions throughout the world, including, but not limited to, rising interest rates, inflation, business and consumer confidence, availability of credit, currency exchange rates and controls, changes in laws, trade barriers, commodity prices, terrorism and political uncertainty. These factors are outside Utilico's control and

may affect the level and volatility of securities prices and the liquidity and the value of investments, which could adversely affect Utilico's profitability, Net Asset Value and prices of the Group's securities.

During periods of adverse economic conditions, Utilico may have difficulty accessing financial markets, which could make it more difficult or impossible for Utilico to obtain funding for additional investments or the redemption of any class of ZDP Shares.

ZDP Redemption Dates

In the event that a redemption date of any class of ZDP Share coincides with a period of extreme market volatility, Utilico may be forced to liquidate certain of its investments at a materially disadvantageous point in time in order to generate sufficient redemption proceeds. An inability to delay a liquidation of such assets until such time as market conditions are more favourable may serve to materially prejudice future Shareholder returns, including but not limited to, the right of other ZDP Shareholders (including the 2020 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

Political and Country Risks

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

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

Companies in some countries are not always subject to accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to companies incorporated in the United Kingdom. In addition, there may be less government supervision and regulation of stock exchanges, brokers and listed companies in some countries in which Utilico may invest directly or indirectly compared to countries with more advanced securities markets. Notwithstanding the foregoing, Utilico will continue to comply with any obligations applicable to the main market for listed securities of the London Stock Exchange and the premium segment of the Official List.

Other Investment Types

Utilico has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities. Utilico may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options and warrants and similar instruments for investment purposes and efficient portfolio management, including protecting Utilico's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. There may not be a price correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments which are the subject of the hedge, on the other hand, leading to losses due to Utilico's hedging strategy. No assurance can be given that the hedging strategies which may be used by Utilico will be successful under all or any market conditions.

These instruments are also subject to credit, liquidity and interest rate risks. Adverse changes in the financial position of an issuer of such securities or economic conditions generally may increase counterparty risk by impairing the ability of the issuer to make payments of interest or principal. Furthermore, if any of Utilico's counterparties were to default on their obligations under derivative contracts it could have a material adverse effect on Utilico, including its financial position.

Utilico holds shares linked to a segregated account of GERP, an unquoted Bermuda segregated accounts company, for the sole purpose of carrying out derivative transactions at the request of and on behalf of Utilico in order that it may make investments more efficiently and for the purposes of efficient portfolio management. Under the terms of a loan agreement entered into between GERP and Utilico, GERP may draw down funds from Utilico to meet certain costs and liabilities arising from any assets held in Utilico's segregated account. Accordingly, in the event that Utilico's hedging policies (implemented through its investment in GERP) lead to losses being suffered or funds being required by GERP, Utilico may be obliged to provide loans to GERP under the terms of this loan agreement. Although Utilico does not currently expect to be required to provide material loans to GERP, if Utilico is required to provide such loans this could result in losses being suffered by Utilico and have a material adverse effect on Utilico, including its financial position.

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. If the realisable value of these assets is less than Utilico's valuation of these assets, this may have a material adverse effect on Utilico's ability to meet its obligations to Utilico Finance under the Subscription Agreement and thereby on Utilico Finance's ability to pay the Final Capital Entitlement on the Offered ZDP Shares in full on the relevant ZDP Repayment Date.

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

Investment in Investment Companies

It is not a central part of Utilico's investment policy to invest in other investment companies. However, subject to the investment restrictions set out in Part 2 of this document, Utilico has the flexibility to invest in other investment companies and in particular has significant investments in Utilico Emerging Markets Limited, Infratil Limited, Zeta Resources Limited and Bermuda First Investment Company Limited. Investment in other investment companies can expose Utilico to further layers of fees (although ICM will not earn a management fee in respect of assets invested by Utilico in funds managed or advised by ICM or its subsidiaries and the investment in Utilico Emerging Markets Limited is disregarded in calculating performance fees on Utilico's portfolio) and gearing. Underlying investment companies may also invest in other investment companies (but cross investment between investment companies is not expected to be a factor, though it will be assessed at the time of any investment).

Special Situations

Utilico may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganisations, bankruptcies and similar transactions. There exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time, or will result in a distribution of cash or a new security the value of which will be less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, Utilico may be required to sell its investment at a loss. Because there may be uncertainty concerning the outcome of transactions involving financially troubled companies in which Utilico may invest, there is a potential risk of loss by Utilico of its entire investment in such companies which may have a material adverse effect on future Shareholder returns, including but not limited to, the right of other ZDP Shareholders (including the 2020 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

Borrowings

Utilico uses gearing in addition to the structural gearing provided by the ZDP Shares. Gearing can be employed in a variety of ways, including direct borrowing, buying securities on margin and the use of futures, warrants, options and other derivative products. Generally, gearing is used to increase the overall level of investment in a portfolio. Higher investment levels may offer the potential for higher returns. This exposes investors to increased risk as gearing can increase the portfolio's market exposure and volatility. In particular, whilst the use of borrowings should enhance the total return on Utilico's portfolio 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 Utilico's portfolio. 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 including, but not limited to, the right of ZDP Shareholders (including the 2020 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

Exchange Risks

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

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

Shareholder Diversity

The Shareholders and ZDP Shareholders may include taxable and tax-exempt entities and persons or entities organised and residing in various jurisdictions, who may have conflicting investment, tax and other interests with respect to their investments in the Group. The conflicting interests of individual holders of Ordinary Shares and holders of each class of ZDP Shares may relate to or arise from, among other things, the nature of investments made by the Company, and the timing of the acquisition and disposition of investments. Conflicts of interest may arise in connection with decisions made by the Manager, including the selection of investments which may be more beneficial for one Shareholder or ZDP Shareholder than for another Shareholder or ZDP Shareholder. In selecting and structuring investments appropriate for the Group, the Manager will consider the investment and tax objectives of the Group as a whole, not the investment, tax or other objectives of any Shareholder or ZDP Shareholder of the Group individually.

Potential Conflicts of Interest

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

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

Utilico and Utilico Emerging Markets Limited both invest in infrastructure, utility and related companies. As a result it is possible that conflicts of interest may arise with regard to potential investments. To minimise this risk an investment allocation policy has been adopted by both companies.

Risk relating to the Manager

The Manager has, subject to compliance with the investment policy of Utilico, substantial discretion in the management of the Group's interests including the selection of the industry, geography, investment strategy and the timing of investments. While the Utilico Board will review compliance with the investment policy and may direct the Manager to take certain actions in connection with Utilico's investments, the Board is not expected to review or approve all individual investment decisions.

The ability of Utilico to achieve its stated investment objective is significantly dependent upon the expertise of the Manager and its ability to attract and retain suitable staff. Utilico is also reliant upon the skills of its Directors and employees and the loss of any of these members of staff could reduce its ability to achieve its stated investment objective. Utilico and the Manager have endeavoured to ensure that the principal

members of their management teams are suitably incentivised, but the retention of such staff cannot be guaranteed. There can be no assurance that the Utilico Board will be able to find a replacement manager if the Manager resigns. In this event the Directors would have to formulate and put to the Shareholders proposals for the future of the Company.

Operational and reputational risks

Utilico relies heavily on the Manager's and Administrator's financial, accounting and other data processing systems. If any of these systems do not operate properly or are disabled, Utilico could suffer financial loss, a disruption of its businesses, regulatory intervention or reputational damage. Utilico's disaster recovery programs may not be sufficient to mitigate the harm that may result from such a disaster or disruption. In addition, insurance and other safeguards might only partially reimburse Utilico for its losses, if at all. It is also possible that, from time to time, the Manager or Utilico will be named as parties to litigation, which could cause substantial reputational damage to Utilico or disrupt its investment strategy, business or potential growth.

Taxation

The Finance Act 2013 contains new rules (the **New Rules**) intended to make returns which are economically equivalent to interest subject to income tax as income. If the New Rules apply to the ZDP Shares, it is likely that the return on the ZDP Shares would be subject to tax as income in the hands of UK resident individuals and others who are subject to UK income tax. The Directors and their advisers have concluded that an exception to the New Rules should apply to the ZDP Shares but more information is given on the New Rules in Part 7 of this document.

Any change in the Group's tax status or in taxation legislation or practice in the United Kingdom or elsewhere, could affect the value of the investments held by the Group and the Group's ability to provide returns to Shareholders and could also affect the tax treatment of the ZDP Shares and the tax treatment of their Final Capital Entitlement

Statements in this document concerning the taxation of shareholders are based upon current UK and Bermuda tax law and published practice, which law and practice are in principle subject to change (potentially with retrospective effect) that could adversely affect the ability of Utilico to meet its investment objective. Statements in this document in particular take into account the United Kingdom offshore fund rules. Should Utilico, Utilico Finance or any class of Shares or ZDP Shares be regarded as subject to the UK offshore fund rules, this may have adverse tax consequences for certain classes of UK resident Shareholders on the disposal of the Offered ZDP Shares.

Calculation of Net Asset Value

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

If the realisable value of the Group's assets is less than Utilico's valuation of those assets this may have a material adverse effect on future shareholder returns, including but not limited to, the right of other ZDP Shareholders (including the 2020 ZDP Shareholders) to receive their full Final Capital Entitlement on the relevant ZDP Repayment Date.

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. To avoid being required to register as an investment company under the Investment Company Act and to avoid violating that Act, Utilico Finance has implemented restrictions on the ownership of the ZDP Shares (including the 2020 ZDP Shares), which may require certain ZDP Shareholders' to transfer their shareholdings.

No Takeover Protection

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

As at 2 July 2014 (being the latest practicable date prior to the date of this document), the Ordinary Shares held by GPLPF represented 57.2 per cent. of the voting rights exercisable on a poll at a general meeting of Utilico.

Enforcement of Judgements

As Utilico and Utilico Finance are Bermuda exempted companies, the rights of Shareholders and ZDP Shareholders are governed by Bermuda law and the Memorandum 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. The majority 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, Utilico Finance or those persons who may be liable under UK law.

Alternative Investment Fund Managers Directive

The AIFM Directive seeks to regulate alternative investment fund managers and imposes obligations on managers who manage alternative investment funds in the EU or who market shares in such funds to EU investors. In order to obtain authorisation under the AIFM Directive, an AIFM would need to comply with various organisational, operational and transparency obligations, which may create significant additional compliance costs, some of which may be passed to investors in the AIF and may affect returns to investors.

For the purposes of the AIFM Directive, Utilico is currently categorised as a non-EU AIF externally managed by a non-EU AIFM. As such, neither Utilico nor the Manager is required to seek authorisation under the AIFM Directive.

The AIFM Directive currently allows the continued marketing of non-EU alternative investment funds (**non-EU AIFs**), such as Utilico, by the AIFM or its agent under national private placement regimes where EU member states choose to retain private placement regimes. In relation to Utilico, such marketing is subject to the requirement that appropriate cooperation agreements are in place between the supervisory authorities of the relevant EU member states in which its shares are being marketed and the Bermuda Monetary Authority and that Bermuda is not on the Financial Action Task Force money-laundering blacklist and to compliance with certain aspects of the AIFM Directive. It is intended that, over time, a passport will be phased in to allow the marketing of non-EU AIFs, such as Utilico, and that private placement regimes will be phased out. Both the adoption of the passport and the phasing out of national private placement regimes are subject to certain criteria. Consequently, there may be restrictions on the marketing of Utilico's shares in the EU, which in turn may have a negative effect on marketing and liquidity of its shares generally.

Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that limit Utilico Finance's or Utilico's ability to market future issues of the ZDP Shares and/or Ordinary Shares could have a material adverse effect on the Group's financial position, results of operations, business prospects and returns to investors.

NMPI Regulations

On 1 January 2014 the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 (the **NMPI Regulations**) came into force in the UK. The NMPI Regulations extend the application of the existing UK regime restricting the promotion of unregulated collective investment schemes by FCA authorised persons (such as independent financial advisers) to other "non-mainstream pooled investments" (or **NMPIs**).

From 1 January 2014, FCA authorised independent financial advisers and other financial advisers are restricted from promoting NMPIs to retail investors who do not meet certain high net worth tests or who cannot be treated as sophisticated investors.

The ZDP Shares (including the 2020 ZDP Shares) are excluded from the FCA's restrictions which apply to non-mainstream pooled investments because Utilico Finance's payment obligations to investors in respect of the ZDP Shares are wholly or predominantly linked to, contingent on, highly sensitive to or dependent on, the performance of or changes in the value of shares, debentures or government and public securities.

If the ZDP Shares cease to be excluded securities for the purposes of the NMPI Regulations and the FCA does not otherwise grant a waiver, the ability of Utilico Finance to raise further capital from retail investors may be affected. In this regard, it should be noted that, whilst the publication and distribution of a prospectus (including this Prospectus) is exempt from the NMPI Regulations, other communications by "approved persons" could be restricted (subject to any exemptions or waivers).

ACTION TO BE TAKEN IN RESPECT OF THE ROLLOVER OFFER

This section applies only to holders of 2014 ZDP Shares. Holders of Ordinary Shares, 2016 ZDP Shares and/or 2018 ZDP Shares do not need to take any action.

Accompanying this document is a Form of Election in respect of the Rollover Offer.

IF YOU DO NOT WISH TO PARTICIPATE IN THE ROLLOVER OFFER IN RESPECT OF ANY OF YOUR 2014 ZDP SHARES OR YOU ARE AN OVERSEAS ZDP SHAREHOLDER, YOU NEED NOT COMPLETE OR RETURN THE FORM OF ELECTION.

Holders of 2014 ZDP Shares that are held in certificated form

To elect to participate in the Rollover Offer in respect of 2014 ZDP Shares held in certificated form complete and return the Form of Election by post to Computershare Investor Services plc, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE as soon as possible and in any event by no later than 3.00 p.m. on 18 July 2014. A pre-paid envelope is enclosed for your use.

Utilico Finance reserves the absolute right to inspect (either itself or through its agents) all Forms of Election and may consider void and reject any Form of Election that does not in Utilico Finance's sole judgement (acting reasonably) meet the requirements of the Rollover Offer. Utilico Finance also reserves the absolute right to waive any defect or irregularity in relation to the acceptance of the Rollover Offer by Eligible Shareholders, including any Form of Election (in whole or in part) which is not entirely in order or which is received after the Closing Date, missing share certificate(s) and/or other document(s) of title or an indemnity acceptable to Utilico Finance in lieu thereof. None of Utilico Finance, Utilico, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in acceptances under the Rollover Offer or incur any liability for failure to give any such notification.

If a holder of 2014 ZDP Shares signs and returns a Form of Election but does not specify in Box 1 of the form how many 2014 ZDP Shares he wishes to elect to participate in the Rollover Offer he will be deemed to have elected to participate in respect of his Basic Entitlement.

Holders of 2014 ZDP Shares that are held in uncertificated form (that is through CREST)

To elect to participate in the Rollover Offer in respect of 2014 ZDP Shares held as Depositary Interests in uncertificated form you should send (or if you are a CREST sponsored member procure that your CREST sponsor sends) to Euroclear a TTE instruction in relation to your 2014 ZDP Shares. A TTE instruction to Euroclear must be properly authenticated in accordance with Euroclear's specifications for Transfer to Escrow and must contain the following details:

- the corporate action number of the Rollover Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- the number of 2014 ZDP Shares in respect of which you wish to elect to participate in the Rollover Offer;
- your Member Account ID;
- your participant ID;
- the participant ID of the escrow agent, in its capacity as a CREST receiving agent. This is 3RA32;
- the Member Account ID of the escrow agent. This is: UTIFIN0;
- the intended settlement date for the Rollover Offer, being 31 July 2014;
- the ISIN of the 2014 ZDP Shares. This is: BMG931261116;
- input with the standard delivery instruction, priority 80; and
- a contact name and telephone number in the shared note field.

A CREST sponsor who sends or is treated as sending a valid dematerialisation instruction in accordance with the above procedures, will thereby represent and warrant that it is not an, and is not sending the dematerialisation instruction on behalf of any, Overseas ZDP Shareholder.

Full details of the action to be taken are set out in this document and in the instructions on the Form of Election. **YOU SHOULD READ THE WHOLE OF THIS DOCUMENT, WHICH CONTAINS THE MATERIAL TERMS OF THE PROPOSALS, AND NOT JUST THIS SECTION WHEN DECIDING WHAT ACTION TO TAKE.**

The attention of Overseas ZDP Shareholders is drawn to the section headed "Overseas ZDP Shareholders" of the Chairman's Letter set out in Part 1 of this document.

If you have any queries in relation to your shareholding(s), please contact Computershare Investor Services PLC by telephone on 0870 873 5861 (or +44 870 873 5861 if calling from outside the United Kingdom). Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Computershare Investor Services PLC can only provide information regarding the completion of the Form of Election and cannot advise on the merits of the Proposals or provide you with investment, legal or tax advice.

IMPORTANT INFORMATION

Investment considerations

The Offered ZDP Shares may not be a suitable investment for all investors. An investment in any Offered ZDP Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. An investment in any Offered ZDP Shares should constitute part of a diversified investment portfolio. Typical investors are expected to be professional investors and professionally advised private investors. If investors are in any doubt as to the consequences of their acquiring or holding any Offered ZDP Shares or disposing of 2014 ZDP Shares, or whether an investment in the Offered ZDP Shares is suitable for them in the light of information contained in this document or their personal circumstances including the financial resources available to them, they should consult their stockbroker or other independent financial adviser authorised under the FSMA or, in the case of investors outside the United Kingdom, another appropriately authorised independent financial adviser before making their own decision to invest in Offered ZDP Shares.

Any potential investor in any Offered ZDP Shares must determine the suitability of that investment in light of his own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of: (i) the Offered ZDP Shares; (ii) the merits and risks of investing in the Offered ZDP Shares; and (iii) the information contained or incorporated by reference in this document or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of his particular financial situation, an investment in the Offered ZDP Shares and the impact such investment will have on his overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offered ZDP Shares;
- (d) understand thoroughly the terms of the Offered ZDP Shares and be familiar with the behaviour of financial markets in which they participate; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect his investment and his ability to bear the applicable risks.

The contents of this Prospectus or any other communications from Utilico Finance, the Company, the Manager or Westhouse Securities and any of their respective affiliates, directors, officers, employees or agents are not to be construed as advice relating to legal, financial, taxation, investment or any other matters. Prospective investors in the Offered ZDP Shares should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Offered ZDP Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Offered ZDP Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of Offered ZDP Shares.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Group and an investment in the Offered ZDP Shares.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's investment objective will be achieved. It should be remembered that the price of securities and the income from them can go down as well as up.

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 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 19 to 28 of this document and in Part 2 (Information about the Group) of this document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect Utilico Finance'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 and Transparency Rules, Utilico Finance undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in Utilico Finance'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 Section B, paragraph 4 of Part 6 of this document.

Times and dates

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

Distribution

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

No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by Utilico Finance or Utilico. 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.

No incorporation of website

The contents of the Company's website at www.utilico.bm do not form part of this Prospectus.

Investors should base their decision to invest on the contents of this Prospectus alone and should consult their professional advisers prior to making an application to subscribe for any Offered ZDP Shares.

Market, economic and industry data

Presentation of information

Market, economic and industry data used throughout this Prospectus is derived from various industry and other independent sources. Utilico Finance and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to “GBP”, “Sterling”, “pounds sterling”, “£”, “pence” or “p” are to the lawful currency of the UK.

Definitions

A list of defined terms used in this Prospectus is set out on pages 111 to 116 of this Prospectus.

Governing law

Unless otherwise stated, statements made in this Prospectus are based on the law and practice currently in force in England and Wales and Bermuda (as appropriate) and are subject to changes therein.

CONSEQUENCES OF A STANDARD LISTING

The 2016 ZDP Shares and 2018 ZDP Shares are, and application has been made for the 2020 ZDP Shares to be, admitted to the standard segment of the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for standard listings. A standard listing affords ZDP Shareholders a lower level of regulatory protection than that afforded to investors in securities that are admitted to the premium segment of the Official List.

As a consequence of the standard listing of the ZDP Shares, the additional ongoing requirements and protections applicable to a premium listing under the Listing Rules do not apply to Utilico Finance or to the ZDP Shares. Utilico Finance is not required to comply with the provisions of, among other things:

- Chapter 8 of the Listing Rules regarding the appointment of a listing sponsor to guide the company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters;
- Chapter 9 of the Listing Rules relating to continuing obligations;
- Chapter 10 of the Listing Rules relating to significant transactions which requires shareholder consent for certain acquisitions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by an issuer of its own shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to shareholders.

The ZDP Shareholders will therefore not receive the full protections of the Listing Rules associated with a premium listing on the Official List. Utilico however, as an issuer with a premium listing of its securities, does comply with the requirements of these Listing Rules as they relate to it and its subsidiary undertakings. In addition, the Subscription Agreement and Utilico Finance's Bye-laws contain provisions, as outlined in more detail in Part 5 and Part 9 of this document, which are designed to protect the interests of ZDP Shareholders.

Listing Rule 14.3 sets out the continuing obligations applicable to an issuer of ZDP Shares and requires that all the issuer's listed securities must be admitted to trading on a regulated market at all times. Utilico Finance must have a minimum number of shares (25 per cent.) of any listed class in public hands at all times in the relevant jurisdictions (or such lower percentage that the FCA may agree to if it considers that the market will operate properly with a lower percentage in view of the large number of shares of the same class and the extent of their distribution to the public) and must notify the FCA as soon as possible if these holdings fall below the stated level. There are a number of other continuing obligations set out in Chapter 14 of the Listing Rules that will be applicable to an issuer of ZDP Shares. These include requirements as to:

- (a) the forwarding of circulars and other documentation to the FCA for publication through the national storage mechanism, and related notification to an RIS;
- (b) the form and content of temporary and definitive documents of title;
- (c) the appointment of a registrar;
- (d) the RIS notification obligation in relation to a range of debt and equity capital issues; and
- (e) compliance with the Disclosure and Transparency Rules.

ISSUE STATISTICS

The following illustrative financial statistics are based on, and should be read in conjunction with, the Assumptions set out in Part 8 of this document. Prospective investors should note that actual outcomes can be expected to differ from these illustrations. The illustrations are not guarantees of future performance and involve certain risks and uncertainties that are hard to predict. Investors should therefore not rely on the illustrations. The attention of prospective investors is also drawn to the risk factors set out on pages 19 to 28 of this document.

2020 ZDP Share issue price and Initial Placing Price	100p
Initial Capital Entitlement per 2020 ZDP Share	100p
Final Capital Entitlement per 2020 ZDP Share	154.90p
Gross Redemption Yield at 2020 ZDP Share issue price	7.25%
2020 ZDP Cover following the Rollover Offer and Initial Placing*	1.46x
Maximum size of Initial Placing and the Placing Programme	25,000,000 2020 ZDP Shares, 10,000,000 2016 ZDP Shares and 10,000,000 2018 ZDP Shares**
Issue Price under the Placing Programme	not less than the Accrued Capital Entitlement of the relevant class of ZDP Shares at the time of allotment***

* Assuming that an aggregate of 10,000,000 2020 ZDP Shares are issued.

** The number of 2020 ZDP Shares available under the Initial Placing and Placing Programme will be reduced to the extent that 2020 ZDP Shares are taken up under the Rollover Offer and, in the case of the Placing Programme, issued under the Initial Placing.

*** The maximum Issue Price will be equal to the best offer price per relevant class of ZDP Shares at the time the proposed allotment is agreed.

EXPECTED TIMETABLE

Prospectus published	2 July 2014
Placing Programme opens	2 July 2014
Latest time for receipt of Forms of Election and TTE Instructions in connection with the Rollover Offer	3.00 p.m. 18 July 2014
Record Date for the Rollover Offer	5.00 p.m. on 18 July 2014
Latest time and date for receipt of placing commitments under the Initial Placing of 2020 ZDP Shares	11.00 a.m. 25 July 2014
Announcement of the result of the Rollover Offer and Initial Placing of 2020 ZDP Shares	28 July 2014
Admission of 2020 ZDP Shares issued pursuant to the Rollover Offer and Initial Placing to the Official List and dealings commence on the London Stock Exchange	31 July 2014
Placing Programme closes	1 July 2015

* All references to times are to London time unless specified otherwise. Each of the times and dates is subject to change. Any changes to the timetable will be notified by publication of a notice through an RIS.

DEALING CODES

The dealing codes for the 2020 ZDP Shares will be as follows:

ISIN	BMG931371006
Ticker	UTLE

The dealing codes for the 2016 ZDP Shares are as follows:

ISIN	BMG931261298
Ticker	UTLC

The dealing codes for the 2018 ZDP Shares are as follows:

ISIN	BMG931261371
Ticker	UTLD

DIRECTORS, MANAGER AND ADVISERS

Directors	Roger Urwin, CBE (<i>Chairman</i>) Peter Burrows, AO John Michael Collier Warren McLeland Eric Stobart
Registered Office	Trinity Hall 43 Cedar Avenue Hamilton HM 11 Bermuda
Manager and Secretary	ICM Limited 1st Floor, 19 Par-la-Ville Road Hamilton HM 11 Bermuda A representative of the Manager can be contacted by telephone on: + 44 (0) 1372 271486
Assistant Secretary	BCB Charter Corporate Services Limited Trinity Hall 43 Cedar Avenue Hamilton HM 11 Bermuda
Financial Adviser, Broker and Placing Agent	Westhouse Securities Limited 110 Bishopsgate London EC2N 4AY
Legal Adviser to the Group as to English law	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
Legal Adviser to the Group as to Bermuda law	Appleby (Bermuda) Limited Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Administrator	F&C Management Limited Exchange House Primrose Street London EC2A 2NY Telephone: +44 (0) 207 628 8000
Registered Auditor	KPMG LLP 15 Canada Square London E14 5GL
Custodians	JPMorgan Chase Bank, N.A. 125 London Wall London EC2Y 5AJ Telephone: +44(0) 207 777 2000 Bermuda Commercial Bank Limited 19 Par-la-Ville Road Hamilton HM11 Bermuda

Legal Adviser to the Financial Adviser, Broker and Placing Agent as to English law	Norton Rose Fulbright LLP 3 More London Riverside London SE1 2AQ
Registrar	Computershare Investor Services (Jersey) Limited Queensway House Hilgrove Street St Helier Jersey JE1 1ES
Depository and CREST Agent	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Principal Banker	Scotiabank Europe PLC 201 Bishopsgate London EC2M 3NS

PART 1

LETTER FROM THE CHAIRMAN

UTILICO FINANCE LIMITED

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

Directors:

Roger Urwin, CBE (*Chairman*)
Peter Burrows, AO
Michael Collier
Warren McLeland
Eric Stobart

Registered Office:

Trinity Hall
43 Cedar Avenue
Hamilton HM 11
Bermuda

2 July 2014

To holders of 2014 ZDP Shares and, for information only, to holders of Ordinary Shares, 2016 ZDP Shares and 2018 ZDP Shares

Introduction

Your Board has today announced detailed proposals to provide holders of existing 2014 ZDP Shares with the opportunity to roll over some or all (subject to the overall limits of the Rollover Offer) of their 2014 ZDP Shares into a new class of 2020 ZDP Shares. In addition, your Board has announced proposals for an Initial Placing of up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued pursuant to the Rollover Offer) and a Placing Programme of up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued pursuant to the Rollover Offer and the Initial Placing), up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares.

The purpose of this letter is to explain the Proposals and why the Board considers them in the best interests of ZDP Shareholders as a whole.

Background to the Proposals

Utilico Finance currently has three series of ZDP Share in issue. These are due for redemption on 31 October in 2014, 2016 and 2018 respectively. The aggregate redemption sum payable on the redemption of the 2014 ZDP Shares is approximately £79.6 million. This will be due on 31 October 2014. Following discussions regarding the payment of the Final Capital Entitlement in respect of the 2014 ZDP Shares, the Directors concluded that they wish to provide 2014 ZDP Shareholders with the opportunity to remain invested in the Group and as a result have formulated the Proposals, which consist of the Rollover Offer, Initial Placing and Placing Programme.

The Rollover Offer

Under the Rollover Offer, each Qualifying Holder of 2014 ZDP Shares on the Record Date will be given the opportunity to rollover some or all of their Qualifying Holding (subject to the overall limits of the Rollover Offer) into new 2020 ZDP Shares. The Rollover Value attributed to each 2014 ZDP Share will be 165.25p, a premium of 0.35 per cent. to their Accrued Capital Entitlement as at the Rollover Date. The new 2020 ZDP Shares arising on the conversion of 2014 ZDP Shares pursuant to the Rollover Offer will be deemed to be issued at the 2020 ZDP Share issue price, which will be 100p per 2020 ZDP Share.

The 2020 ZDP Shares will have a Gross Redemption Yield of 7.25 per cent. and a maturity date of 31 October 2020. Based on the Assumptions, if pursuant to the Rollover Offer 10,000,000 new 2020 ZDP Shares arise on the conversion of 2014 ZDP Shares, the 2020 ZDP Shares will have a ZDP Cover of 1.46x following the Rollover Offer.

Investors should note that the predetermined capital entitlement of the ZDP Shares is not guaranteed and is dependent upon Utilico having sufficient assets to satisfy its obligations under the Subscription Agreement.

There is no present intention to put forward further proposals to 2014 ZDP Shareholders in advance of the ZDP Repayment Date on 31 October 2014.

The Initial Placing and the Placing Programme

Utilico Finance also intends to issue up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued under the Rollover Offer) pursuant to the Initial Placing and the Placing Programme and up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares pursuant to the Placing Programme.

Under the Initial Placing, Utilico Finance is proposing to issue up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued under the Rollover Offer) at the Initial Placing Price, which will be 100p per 2020 ZDP Share. Westhouse Securities has agreed under the Placing Agreement to use its reasonable endeavours to procure placees for 2020 ZDP Shares at the Initial Placing Price. Details of the Placing Agreement are set out in paragraph 8.9 of Part 9 of this document. The Initial Placing will close at 11.00 a.m. on 25 July 2014 (or such later date, not being later than 31 August 2014, as the Company and Westhouse Securities may agree). If the Initial Placing is extended, the revised timetable will be notified via an RIS.

Under the Placing Programme, Utilico Finance has the ability to issue up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued under the Rollover Offer and the Initial Placing), up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares at the applicable Issue Price. The Placing Programme is flexible and may have a number of closing dates in order to provide Utilico Finance with the ability to issue Placing ZDP Shares over a period of time. The Placing Programme will open on 2 July 2014 and will close on 1 July 2015 (or any earlier date on which it is fully subscribed). The Placing ZDP Shares will, when issued, rank equally with the ZDP Shares of the relevant class then in issue.

Benefits of the Proposals

The Board believes the Proposals have the following advantages:

- to allow 2014 ZDP Shareholders to remain invested in the Group;
- to allow Utilico Finance to issue a new class of 2020 ZDP Shares to satisfy demand over a period of time;
- to increase the number of 2020 ZDP Shares in issue following the Rollover Offer, thereby enabling the Company to attract a wider range of investors which, in turn, would be expected to improve the liquidity in the 2020 ZDP Shares; and
- to raise new funds to assist financing the amount required for the redemption of the 2014 ZDP Shares.

As at the date of this document, the Company's borrowings under its loan facility of £50 million from Scotiabank Europe PLC amounted to £22.3 million, reflecting the realisation of investments from the Company's portfolio. The Company intends to realise further investments from the Company's portfolio to raise approximately £25 million and expects to raise the balance of funding required to finance the redemption of the 2014 ZDP Shares on 31 October 2014 through additional placings of the Offered ZDP Shares pursuant to the Initial Placing and/or Placing Programme or further portfolio realisations as appropriate.

The Rollover Offer

Under the Rollover Offer, holders of 2014 ZDP Shares are being given the opportunity to convert some or all of their holding of 2014 ZDP Shares (subject to the overall limits of the Rollover Offer) into new 2020 ZDP Shares. The Rollover Value attributed to the 2014 ZDP Shares will be 165.25p, a premium of 0.35 per cent. to their Accrued Capital Entitlement as at the Rollover Date. The Rollover Offer is limited to a maximum of 31 per cent. of the 2014 ZDP Shares in issue at the Record Date and each Qualifying Holder on the Register on the Record Date will be entitled to have accepted under the Rollover Offer his or her Basic Entitlement, which is equal to 31 per cent. of their holding of 2014 ZDP Shares as at the Record Date, subject to the Directors not exercising their discretion to scale back elections under the Rollover Offer as described below.

The rights attaching to the 2020 ZDP Shares will be substantially similar to those attaching to the 2014 ZDP Shares although no ZDP Shares will be issued at a price which has the effect of reducing the ZDP Cover for the 2020 ZDP Shares, at or around the time of the issue of such additional ZDP Shares, below 1.35x. In addition, subject to Rollover and Initial Placing Admission occurring, the 2020 ZDP Shares will have an illustrative initial capital entitlement on 31 July 2014 of 100p per 2020 ZDP Share and will have a Final Capital Entitlement of 154.90p per 2020 ZDP Share on 31 October 2020, the 2020 ZDP Repayment Date, equivalent to a Gross Redemption Yield of 7.25 per cent. per annum on the 2020 ZDP Share issue price.

As with the 2014 ZDP Shares, the 2020 ZDP Shares will not carry the right to vote at general meetings of Utilico or Utilico Finance but they will carry the right to vote as a class on certain proposals which would be likely to affect materially their position. The 2020 ZDP Shares will carry no entitlement to income and the whole of any return will therefore take the form of capital.

Subject to completion of the Rollover Offer, each 2014 ZDP Share validly elected to be rolled over will be converted into 1.6525 2020 ZDP Shares to be issued on the terms set out in the New Utilico Finance Bye-Laws. Fractions of 2020 ZDP Shares will not be issued. The number of 2020 ZDP Shares arising pursuant to an election under the Rollover Offer will be rounded down to the nearest whole number and any excess monies will be retained by Utilico Finance.

The Rollover Offer is open to all Qualifying Holders on the Register at the Record Date (such Qualifying Holders being Eligible Shareholders). All such persons shall be entitled to have accepted in the Rollover Offer valid elections in respect of his or her Basic Entitlement. In addition, Eligible Shareholders may make elections in excess of their Basic Entitlement but such excess elections will only be satisfied to the extent that other 2014 ZDP Shareholders have not made valid elections in respect of all or any part of their Basic Entitlement. Elections in excess of the Basic Entitlement will be satisfied *pro rata* in proportion to the excess over the Basic Entitlement elected, rounded down to the nearest whole number of 2014 ZDP Shares and subject to the exercise of the Directors' discretion to scale back elections under the Rollover Offer as described below.

In order to elect to participate in the Rollover Offer, 2014 ZDP Shareholders are advised to refer to the section entitled "Action to be Taken" on pages 29 and 30 of this document and to complete the Form of Election in accordance with the instructions printed thereon or submit a TTE Instruction through CREST, in each case in accordance with the instructions set out in this document.

Utilico Finance reserves the absolute right to inspect (either itself or through its agents) all Forms of Election and may consider void and reject any Form of Election that does not in the Board's sole judgement (acting reasonably) meet the requirements of the Rollover Offer. Utilico Finance also reserves the absolute right to waive any defect or irregularity in relation to the acceptance of the Rollover Offer by Eligible Shareholders, including any Form of Election (in whole or in part) which is not entirely in order or which is received after the Closing Date, missing share certificate(s) and/or other document(s) of title or an indemnity acceptable to Utilico Finance in lieu thereof. None of Utilico Finance, Utilico, the Receiving Agent or any other person will be under any duty to give notification of any defects or irregularities in acceptances under the Rollover Offer or incur any liability for failure to give any such notification.

If a holder of 2014 ZDP Shares signs and returns a Form of Election but does not specify in Box 1 of the form how many 2014 ZDP Shares he wishes to elect to participate in the Rollover Offer he will be deemed to have elected to participate in respect of his Basic Entitlement.

The Rollover Offer is conditional on Rollover and Initial Placing Admission, and therefore subject to the satisfaction of Listing Rule 14.2.2 as to the number of 2020 ZDP Shares held in public hands as at Admission. The Directors will have the discretion to scale back elections under the Rollover Offer otherwise than on a *pro rata* basis and whether or not such elections are in excess of a 2014 ZDP Shareholder's Basic Entitlement if the Directors consider this necessary to ensure that sufficient 2020 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement. Further, the Directors may exercise their discretion and scale back elections under the Rollover Offer and place 2020 ZDP Shares pursuant to the Initial Placing in order to satisfy the Listing Rule. The Rollover Offer is also conditional on the ZDP Cover of the 2020 ZDP Shares being not less than 1.35x, taking into account the relevant allotment. The Directors will therefore also have the discretion to scale back elections under the Rollover Offer if the Directors consider this necessary to satisfy the ZDP Cover requirement.

2014 ZDP Shareholders who are Overseas ZDP Shareholders and any other 2014 ZDP Shareholders who do not make a valid election to roll over all or part of their ZDP Shares on the Form of Election or submit a valid TTE Instruction, will be deemed to have declined the opportunity to participate in the Rollover Offer and will continue to hold their 2014 ZDP Shares, the rights attaching to which will be unaffected by the Proposals.

Mechanics of the Rollover Offer

The Rollover Offer will be effected by the conversion of those 2014 ZDP Shares that are validly elected and accepted to participate in the Rollover Offer into new 2020 ZDP Shares pursuant to the New Utilico Finance Bye-Laws. The key points of the Rollover Offer are as follows:

Subject to completion of the Rollover Offer, each 2014 ZDP Share validly elected to be rolled over will automatically convert into 1.6525 2020 ZDP Shares on and subject to the terms and conditions set out in this document and the Form of Election.

Forthwith upon conversion, any certificates relating to 2014 ZDP Shares that converted into 2020 ZDP Shares pursuant to the Rollover Offer shall be cancelled and Utilico Finance shall issue to each such holder of former 2014 ZDP Shares new certificates in respect of the 2020 ZDP Shares which have arisen upon conversion unless such holder of former 2014 ZDP Shares elects to hold their 2020 ZDP Shares in uncertificated form.

The rights attaching to 2014 ZDP Shares that are not converted into 2020 ZDP Shares pursuant to the Rollover Offer will remain unchanged, with their ZDP Repayment Date being 31 October 2014 and a Final Capital Entitlement of 167.60 pence per share.

Conditions to the Rollover Offer

The Rollover Offer is conditional on:

- valid elections being received in respect of 2020 ZDP Shares, together with any 2020 ZDP Shares issued pursuant to the Initial Placing and allotted at the same time as the 2020 ZDP Shares issued under the Rollover Offer, with a minimum value, at the 2020 ZDP Share issue price, of £750,000;
- ZDP Cover of the 2020 ZDP Shares being not less than 1.35x, taking into account the effect of the relevant allotment;
- the Placing Agreement remaining in full force and effect and not having been terminated in accordance with its terms; and
- Admission of the 2020 ZDP Shares issued pursuant to the Rollover Offer and, if applicable, the Initial Placing.

In circumstances in which these conditions are not fully met, the Rollover Offer will not take place and no 2014 ZDP Shares will be converted into 2020 ZDP Shares.

Announcement of the results of the Rollover Offer

The results of the Rollover Offer will be announced through a Regulatory Information Service on or around 28 July 2014. This announcement will include the number of 2020 ZDP Shares arising pursuant to the Rollover Offer, the number of 2014 ZDP Shares that have elected to take part and details of any scaling back in relation to elections in excess of the Basic Entitlement or where the Directors have exercised their discretion to scale back elections so as to satisfy the ZDP Cover condition or to enable Utilico Finance to satisfy the Listing Rule requirement as to the minimum number of 2020 ZDP Shares which must be held in public hands which is a condition to Admission.

Overseas ZDP Shareholders

In order to avoid any inadvertent breach of overseas securities laws, Overseas ZDP Shareholders shall be deemed to have elected to not participate in the Rollover Offer. Notwithstanding any other provision of this document, Utilico Finance reserves the right to permit any Overseas ZDP Shareholders to receive 2020 ZDP Shares under the Rollover Offer if the Directors, in their sole and absolute discretion, are satisfied at any

time prior to the Closing Date that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

The Initial Placing

Under the Initial Placing, Utilico Finance is proposing to issue up to 25,000,000 2020 ZDP Shares, less the number of 2020 ZDP Shares issued pursuant to the Rollover Offer. Westhouse Securities has agreed under the Placing Agreement to use its reasonable endeavours to procure placees for 2020 ZDP Shares at the Initial Placing Price, which will be 100p per 2020 ZDP Share. No 2020 ZDP Shares will be issued pursuant to the Initial Placing where such issue would reduce the ZDP Cover of the 2020 ZDP Shares below 1.35x. The Initial Placing will close at 11.00 a.m. on 25 July 2014 (or such later date, not being later than 31 August 2014, as the Company and Westhouse Securities may agree). If the Initial Placing is extended, the revised timetable will be notified via an RIS.

The Initial Placing is conditional, *inter alia*, on:

- (i) the Placing Agreement becoming wholly unconditional (save as to Rollover and Initial Placing Admission) and not having been terminated in accordance with its terms prior to Rollover and Initial Placing Admission;
- (ii) minimum Gross Proceeds (together with the value of any 2020 ZDP Shares issued pursuant to the Rollover Offer) equalling £750,000; and
- (iii) Admission of the Initial Placing Shares occurring by 8.00 a.m. on 31 July 2014 (or such later date as the Company and Westhouse Securities may agree in writing, being not later than 31 August 2014). The Initial Placing is not being underwritten.

Utilico has indicated that it intends to subscribe for up to 10,000,000 2020 ZDP Shares which are available under the Initial Placing to the extent that such shares are not subscribed for by any other placees pursuant to the Initial Placing or issued pursuant to the Rollover Offer, subject to ensuring that the ZDP Cover of the 2020 ZDP Shares is not less than 1.35x or that sufficient 2020 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement at Rollover and Initial Placing Admission. Such shares will be held by Utilico for investment purposes in accordance with its investment policy.

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the 2020 ZDP Shares issued pursuant to the Rollover Offer and the Initial Placing to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities (together Rollover and Initial Placing Admission). It is expected that Rollover and Initial Placing Admissions will become effective and that unconditional dealings in such 2020 ZDP Shares will commence on the London Stock Exchange on 31 July 2014.

In the event that the aggregate applications under the Initial Placing were to exceed 25,000,000 2020 ZDP Shares, it would be necessary to scale back applications under the Initial Placing. In such an event, applications under the Initial Placing will be scaled back at the Directors' discretion (in consultation with Westhouse Securities) and thereafter no further commitments will be accepted and the Initial Placing will be closed.

In addition, it may also be necessary to scale back applications of 2020 ZDP Shares to ensure that, following the Initial Placing, either the ZDP Cover of the 2020 ZDP Shares is not less than 1.35x or that sufficient 2020 ZDP Shares are held in public hands so as to satisfy the Listing Rule requirement at Rollover and Initial Placing Admission.

The Placing Programme

Following the Initial Placing the Directors intend to implement the Placing Programme (although Placing ZDP Shares may be issued pursuant to the Placing Programme from 2 July 2014) which will close on 1 July 2015 (or any earlier date on which it is fully subscribed). Under the Placing Programme, Utilico Finance is proposing to issue up to 25,000,000 2020 ZDP Shares (less the number of 2020 ZDP Shares issued under the Rollover Offer and the Initial Placing) and up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares at the applicable Issue Price. There is no minimum or maximum number of Placing ZDP Shares that may be placed with any subscriber.

No Placing ZDP Shares will be issued pursuant to the Placing Programme at a discount to their Accrued Capital Entitlement at the time of the relevant allotment, nor where such issue would, in the case of 2020 ZDP Shares, reduce the ZDP Cover of the 2020 ZDP Shares below 1.35x or, in the case of 2016 ZDP Shares or 2018 ZDP Shares, reduce the ZDP Cover of the 2016 ZDP Shares and/or the 2018 ZDP Shares (as applicable) below 1.5x or the ZDP Cover of the 2020 ZDP Shares below 1.35x. Furthermore, it is the intention of the Directors that no 2020 ZDP Shares will be issued pursuant to the Placing Programme which would increase the number of 2020 ZDP Shares in issue above 10,000,000, unless the ZDP Cover of the 2020 ZDP Shares following such issue is above 1.5x.

The Directors reserve the right to close the Placing Programme at any time prior to 1 July 2015. Notification of any closure or extension will be made through a Regulatory Information Service.

The allotment of Placing ZDP Shares under the Placing Programme is at the discretion of the Directors. Allotments may take place at any time prior to the final closing date of 1 July 2015. In relation to allotments, an announcement will be released through a Regulatory Information Service, including details of the number and class of Placing ZDP Shares allotted and the Issue Price for the allotment. It is anticipated that dealings in any Placing ZDP Shares issued pursuant to the Placing Programme will commence three Business Days after their allotment. Whilst it is expected that all Placing ZDP Shares allotted under the Placing Programme will be issued as Depositary Interests in uncertificated form, if any Placing ZDP Shares are issued in certificated form it is expected that share certificates will be despatched within ten Business Days after the relevant allotment date.

In the event that the aggregate applications under the Placing Programme were to exceed 25,000,000 2020 ZDP Shares, 10,000,000 2016 ZDP Shares and/or 10,000,000 2018 ZDP Shares, it would be necessary to scale back applications under the Placing Programme. In such an event, applications under the Placing Programme will be scaled back at the Directors' discretion (in consultation with Westhouse Securities) and thereafter no further commitments will be accepted and the Placing Programme will be closed. In addition, it may also be necessary to scale back applications of Placing ZDP Shares to ensure that following each placing under the Placing Programme: (i) in the case of 2020 ZDP Shares, the ZDP Cover of the 2020 ZDP Shares is not less than 1.35x for 2020 ZDP Shares issued up to an aggregate amount of 10,000,000 2020 ZDP Shares in issue and 1.5x for any 2020 ZDP Shares issued above that amount or, in the case of 2016 ZDP Shares or 2018 ZDP Shares, the ZDP Cover of ZDP Shares is not less than 1.5x and the ZDP Cover of the 2020 ZDP Shares is not less than 1.35x; and/ or (ii) sufficient ZDP Shares of each class are held in public hands so as to satisfy the Listing Rule requirement at the relevant Admission of the 2016 ZDP Shares and/or the 2018 ZDP Shares (as applicable).

The Placing Programme is not being underwritten and, as at the date of this document, the actual number and class of Placing ZDP Shares, if any, to be issued under the Placing Programme is not known. The number of Placing ZDP Shares available under the Placing Programme should not be taken as an indication of the number of Placing ZDP Shares finally to be issued.

The net proceeds of the Placing Programme is dependent on the subscriptions received, the number of 2020 ZDP Shares issued pursuant to the Rollover Offer and Initial Placing, the class of Placing ZDP Shares issued and the Issue Price at which such Placing ZDP Shares are issued under each placing. Assuming that the Initial Placing is fully subscribed and that gross proceeds of the Placing Programme equal £30.4 million, the net proceeds of the Placing Programme would be approximately £30.1 million with expenses (including any commission) of approximately £0.3 million. These expenses will be met out of the gross proceeds of the Placing Programme.

So far as the Directors are aware as at the date of this document, no major Shareholders or members of the Company's management, supervisory or administrative bodies intend to make a commitment for Placing ZDP Shares under the Placing Programme.

The Placing ZDP Shares issued under the Placing Programme will rank *pari passu* with the relevant class of ZDP Shares then in issue and will carry no entitlement to income, therefore the whole of any return will take the form of capital.

The Placing Programme will be suspended at any time when Utilico Finance is unable to issue Placing ZDP Shares pursuant to the Placing Programme under any statutory provision or other regulation applicable to the Company or Utilico Finance or otherwise at the Directors' discretion.

Westhouse Securities will be entitled to a commission payable by the Company in connection with the issue of the Placing ZDP Shares arising under the Rollover Offer and in respect of the gross proceeds of the Initial Placing and the Placing Programme. No commissions will be payable by the Company to placees under the Initial Placing and the Placing Programme.

Conditions to each allotment of Placing ZDP Shares under the Placing Programme

Each allotment of Placing ZDP Shares under the Placing Programme is conditional on:

- the Issue Price being not less than the Accrued Capital Entitlement of the relevant Placing ZDP Shares at the time of the relevant allotment;
- in the case of the proposed issue of: (i) 2020 ZDP Shares, the ZDP Cover of the 2020 ZDP Shares being not less than 1.35x; (ii) 2016 ZDP Shares, the ZDP Cover of the 2016 ZDP Shares and the 2018 ZDP Shares being not less than 1.5x and the ZDP Cover of the 2020 ZDP Shares being not less than 1.35x; and (iii) 2018 ZDP Shares, the ZDP Cover of the 2018 ZDP Shares being not less than 1.5x and the ZDP Cover of the 2020 ZDP Shares being not less than 1.35x, in each case taking into account the effect of the relevant allotment; and
- Admission of the Placing ZDP Shares issued pursuant to such allotment.

In circumstances in which these conditions are not fully met, the relevant issue of Placing ZDP Shares pursuant to the Placing Programme will not take place.

The Placing Programme price

The minimum price at which each new Placing ZDP Share will be issued under the Placing Programme will be the Accrued Capital Entitlement of the relevant class of ZDP Share at the date of allotment. The maximum price in respect of any allotment of Placing ZDP Shares will be equal to the best offer price of the relevant class of ZDP Share, as quoted on the London Stock Exchange at the time that the proposed allotment is agreed.

For these purposes, the Accrued Capital Entitlement will be calculated in accordance with the Utilico Finance Bye-Laws.

Holder of Ordinary Shares issued by Utilico will not suffer any dilution of their voting rights as a result of the Placing as ZDP Shares do not carry voting rights save in very limited circumstances. Holders of 2020 ZDP Shares arising pursuant to the Rollover Offer will have their voting rights at class meetings of the 2020 ZDP Shares diluted when new 2020 ZDP Shares are issued pursuant to the Placing Programme.

Illustrative financial effects of the Proposals

By way of illustration and based upon the Assumptions (with the exception of the assumption that the ZDP Cover levels are sufficient to allow the maximum number of 2016 ZDP Shares and 2018 ZDP Shares to be issued), had the Rollover Offer, the Initial Placing and Placing Programme taken place (and been taken up in full) at the date of this document, the Group's Gross Assets would have been increased by the estimated gross proceeds of the Placing Programme of £30.4 million, adjusted for all expenses in relation to the Proposals estimated to be approximately £0.8 million.

By way of illustration and based upon the Assumptions, if pursuant to the Rollover Offer 10,000,000 new 2020 ZDP Shares arise on the conversion of the 2014 ZDP Shares, the illustrative ZDP Cover following such rollover for the 2014 ZDP Shares, the 2016 ZDP Shares, the 2018 ZDP Shares and the 2020 ZDP Shares would be 4.41x, 2.21x, 1.54x and 1.46x respectively.

By way of illustration and based upon the Assumptions, if, no 2020 ZDP Shares are issued pursuant to Rollover Offer but 10,000,000 2020 ZDP Shares are issued pursuant to the Initial Placing at a price of 100p per share, the illustrative ZDP Cover for the 2014 ZDP Shares, the 2016 ZDP Shares, the 2018 ZDP Shares and the 2020 ZDP Shares following completion of the Initial Placing would be 4.41x, 2.21x, 1.54x and 1.46x respectively.

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.

Costs of the Proposals

The expenses of the Group incurred in connection with the Proposals (and based upon the Assumptions) are estimated to be approximately £0.4 million.

Use of proceeds

The gross proceeds of the Initial Placing and the Placing Programme will be paid to Utilico for investment to continue to further diversify its portfolio in accordance with its investment policy.

Admission and Dealings

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the 2020 ZDP Shares issued pursuant to the Rollover Offer and the Initial Placing to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities. It is expected that Rollover and Initial Placing Admission will become effective and that unconditional dealings in such 2020 ZDP Shares will commence on the London Stock Exchange on 31 July 2014.

Applications will be made to the Financial Conduct Authority and to the London Stock Exchange respectively for the Placing ZDP Shares issued pursuant to the Placing Programme to be admitted: (i) to the Official List (by way of a standard listing under Chapter 14 of the Listing Rules); and (ii) to the London Stock Exchange's main market for listed securities. It is expected that such Subsequent Admissions will become effective and that unconditional dealings in such Placing ZDP Shares will commence on the London Stock Exchange during the period from 2 July 2014 to 1 July 2015.

All allotments of Offered ZDP Shares will be conditional on Admission of such Offered ZDP Shares. The timing of the applications for Admission and their approval pursuant to the Placing Programme are not known as at the date of this document but no Placing ZDP Shares will be issued if they will not be so admitted. This document has been published in order to obtain Admission to a standard listing on the Official List of any 2020 ZDP Shares arising pursuant to the Rollover Offer or issued under the Initial Placing or any other Offered ZDP Shares issued under the Placing Programme. No application will be made for the Offered ZDP Shares to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange.

The Offered ZDP Shares arising pursuant to the Rollover Offer and to be issued pursuant to the Initial Placing and the Placing Programme will be in registered form and may be held either in certificated form or as Depositary Interests in uncertificated form and settled through CREST.

CREST is a computerised paperless settlements system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer. Foreign securities cannot be held or traded in the CREST system. To enable investors to settle their Offered ZDP Shares through CREST, the Depositary will hold the relevant Offered ZDP Shares and will issue dematerialised Depositary Interests representing the underlying Offered ZDP Shares to the relevant investors. Dealings in the Offered ZDP Shares in advance of the crediting of the relevant Depositary Interests acquired shall be at the risk of the person concerned.

The Depositary will hold the Offered ZDP Shares on trust for the respective underlying Offered ZDP Shareholders. This trust relationship is documented in a deed executed by the Depositary. The Depositary Interests are independent, English securities and are held on a register maintained by the Registrars. The Depositary Interests have the same security code as the Offered ZDP Shares that they represent and do not require a separate admission to the London Stock Exchange.

Shareholders wishing to settle Offered ZDP Shares through CREST can transfer their holding to the Depositary, which will then issue Depositary Interests representing the relevant transferred Offered ZDP Shares. The Depositary Interest holder will not hold a certificate evidencing the underlying Offered ZDP Share. Depositary Interests are issued on a one for one basis against the relevant Offered ZDP Shares that they represent for all purposes. 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 Offered ZDP Shares.

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

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

Investors should be aware that Offered ZDP Shares delivered in certificated form are likely to incur, on an ongoing basis, higher dealing costs than those Offered ZDP Shares held through CREST. Shares initially issued in certificated form may subsequently be exchanged for Depositary Interests, which can be deposited into CREST in accordance with the procedure described above. Certificates in respect of 2020 ZDP Shares arising under the Rollover Offer and the Initial Placing and held in certificated form are expected to be despatched on 1 August 2014 or as soon as practicable thereafter.

Temporary documents of title will not be issued pending the delivery of 2020 ZDP Shares to the persons entitled thereto and, during that period, transfers will be certified against the register of 2020 ZDP Shareholders.

Directors' opinion

As the Proposals do not require the approval of ZDP Shareholders, the Directors are not required to make a recommendation as to how voting rights should be exercised. The Directors do, however, consider that the Proposals are in the best interests of Utilico Finance and the ZDP Shareholders as a whole.

Yours faithfully

Roger Urwin
Chairman

PART 2

INFORMATION ABOUT THE GROUP

Utilico Finance

Utilico Finance is an exempted, closed-ended investment company incorporated in Bermuda with limited liability. All Utilico Finance's ordinary shares are currently held by Utilico. Utilico Finance was established at the same time as Utilico in order to be the issuer of the ZDP Shares. As at the date of this document, Utilico Finance's only material obligations are in respect of the ZDP Shares and its only asset is the obligation of Utilico to put Utilico Finance in a position to meet its obligations in respect of the ZDP Shares on maturity pursuant to the Subscription Agreement.

Utilico

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

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

Investment Policy of Utilico

Utilico seeks to invest in undervalued investments and in accordance with its investment policy has the flexibility to make investments in a wide range of sectors and markets.

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

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

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

The Company has the flexibility to invest in shares, bonds, convertibles and other types of securities, including non-investment grade bonds and to invest in unlisted securities.

The Company may also use derivative instruments such as American Depositary Receipts, promissory notes, foreign currency hedges, interest rate hedges, contracts for difference, financial futures, call and put options and warrants and similar instruments for investment purposes and efficient portfolio management, including protecting the Company's portfolio and balance sheet from major corrections and reducing, transferring or eliminating investment risks in its investments. These investments will be long term in nature.

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

The Company believes it is appropriate to support investee companies with their capital requirements whilst at the same time maintaining an active and constructive shareholder approach through encouraging the

organisation of capital structure and business efficiencies. The Manager's investment team maintains regular contact with investee companies and Utilico may often be among the largest shareholders. There are no limits on the proportion of an investee company that Utilico may hold and Utilico may take legal or management control of a company from time to time.

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

- investments in unlisted companies will in aggregate not exceed 20 per cent. of Gross Assets at the time that any new investment is made. This restriction does not apply to the Company's holding of shares linked to a segregated account of GERP, an unquoted Bermuda segregated accounts company. This account, which is structured as the Bermuda equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company; and
- no single investment will exceed 30 per cent. of Gross Assets at the time such investment is made, save that this limit shall not prevent the exercise of warrants, options or similar convertible instruments acquired prior to the relevant investment reaching the 30 per cent. limit.

Under the Bye-laws, the Group is permitted to borrow an aggregate amount equal to 100 per cent. of Gross Assets (excluding the gearing provided through the Group's capital structure). Borrowings may be drawn down in any currency appropriate for the portfolio.

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

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

Investment Outlook

Economic conditions continue to strengthen and this is expected to continue in the short term and against this background, the investments are expected to continue to improve. The performance of Gold is likely to be subdued and so investments in this sector likely to remain under pressure, although should economic turmoil return, Gold would be expected to outperform. The Company will continue to develop its investment platforms in financial services and resources as well as its utilities and infrastructure portfolio.

Investment Portfolio

Details of the largest investments in Utilico's portfolio, its geographical spread and sectoral weighting, all as at 31 May 2014 (being the latest practicable date prior to the publication of this document) and on a look through basis, are set out in Part 3 of this document.

Profile of Typical Investor

An investment in the Ordinary Shares and the ZDP Shares is intended to constitute part of a diversified investment portfolio for institutional or high net worth/sophisticated investors who are seeking exposure to a wide range of sectors and markets through a relatively concentrated portfolio of investments. An investor in the Offered ZDP Shares will be capable of evaluating the risks (including potential capital loss) and merits of such investments. Any investor must be able to accept the possibility of losses and an investment in Offered ZDP Shares is only intended for investors who can afford to set aside the invested capital for a number of years.

Dividend Policy

ZDP Shares (including the Offered ZDP Shares) are not eligible to receive any dividends.

The Directors anticipate distributing to Utilico Shareholders by way of dividend the majority of the Group's net revenue arising from normal income streams (such as dividends from investments) less costs (such as management fees). Any dividend payments will be made in accordance with Bermuda law.

Borrowings and Borrowing Policy

Under the Bye-laws, the Board is obliged to restrict Utilico's borrowings to an aggregate amount equal to 100 per cent. of the Gross Assets (excluding the gearing provided through the Group's capital structure).

However, the Board has set a current limit on gearing (being total borrowings excluding ZDP Shares measured against Gross Assets) not exceeding 33.3 per cent. at the time of draw down. No material change will be made to this borrowing limit without the prior approval of Shareholders. Any such change would also require the approval of the ZDP Shareholders in accordance with the Subscription Agreement.

Borrowings will be drawn down in sterling, US Dollars or any currency for which there is a corresponding asset within the portfolio (at the time of draw down, the value drawn must not exceed the value of the relevant asset in the portfolio).

The Company's borrowings are provided via a £50 million multi-currency debt facility from Scotiabank Europe PLC pursuant to a loan agreement which expires on 22 March 2016 which is more fully described in paragraph 8.5 of Part 9 of this document.

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

Capital Structure

Introduction

As at 1 July 2014, the issued share capital of Utilico consisted of 99,157,214 Ordinary Shares.

Following the Proposals, Utilico Finance's share capital will consist of ordinary shares held by Utilico and four classes of zero dividend preference shares. The 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 Ordinary Shares save in respect of the Utilico Shareholders' entitlement to the Winding-Up Revenue Profits.

Dividends

The ZDP Shares (including the Offered ZDP Shares) carry no entitlement to income and the whole of any return will therefore take the form of capital.

Capital entitlement

The ZDP Shares do not pay dividends but they will have a Final Capital Entitlement at the end of their respective lives as follows:

- a 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 based on the initial entitlement of a 2014 ZDP Share of 100p on 15 June 2007;
- a 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 based on the initial entitlement of a 2016 ZDP Share of 100p on 15 June 2007;
- a 2018 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2018 of 160.52p, equating to a 7.25 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2018 ZDP Share of 100p on 26 January 2012; and
- a 2020 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2020 of 154.90p, equating to a 7.25 per cent. per annum Gross Redemption Yield based on the initial entitlement of a 2020 ZDP Share of 100p on 31 July 2014.

Utilico will therefore be free to pursue long-term capital appreciation without the constraint of funding an annual dividend payment to the holders of ZDP Shares. Investors should note that the predetermined capital entitlement of the 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 the Assumptions, the Final Capital Entitlement of the 2014 ZDP Shares would have ZDP Cover of approximately 4.41x following completion of the Rollover Offer and the Initial Placing. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 77.32 per cent. during the period from 31 July 2014 (the anticipated date of completion of the Rollover Offer) to the 2014 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2014 ZDP Share of less than the 167.60p entitlement per 2014 ZDP Share due on the 2014 ZDP Repayment Date. A fall in Utilico's Gross Assets of 95.64 per cent. during this period and based on the Assumptions, would result in no payment being made to the 2014 ZDP Shareholders;
- (ii) based on the Assumptions, the Final Capital Entitlement of the 2016 ZDP Shares would have ZDP Cover of approximately 2.21x following completion of the Rollover Offer and the Initial Placing. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 54.82 per cent., or by more than 29.72 per cent. per annum, during the period from 31 July 2014 (the anticipated date of completion of the Rollover Offer) to the 2016 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2016 ZDP Share of less than the 192.78p entitlement per 2016 ZDP Share due on the 2016 ZDP Repayment Date. A fall in Utilico's Gross Assets of 77.32 per cent. or by more than 48.25 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2016 ZDP Shareholders;
- (iii) based on the Assumptions, the Final Capital Entitlement of the 2018 ZDP Shares would have ZDP Cover of approximately 1.54x following completion of the Rollover Offer and the Initial Placing. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 35.15 per cent., or by more than 9.68 per cent. per annum, during the period from 31 July 2014 (the anticipated date of completion of the Rollover Offer) to the 2018 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2018 ZDP Share of less than the 154.90p entitlement per 2018 ZDP Share due on the 2018 ZDP Repayment Date. A fall in Utilico's Gross Assets of 54.82 per cent. or by more than 17.04 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2018 ZDP Shareholders; and
- (iv) based on the Assumptions, the Final Capital Entitlement of the 2020 ZDP Shares would have ZDP Cover of approximately 1.46x following completion of the Rollover Offer and the Initial Placing. Based on the Assumptions, if Utilico's Gross Assets were to fall by more than 31.35 per cent., or by more than 5.84 per cent. per annum, during the period from 31 July 2014 (the anticipated date of completion of the Rollover Offer) to the 2020 ZDP Repayment Date, this would result in a Final Capital Entitlement per 2020 ZDP Share of less than the 154.90p entitlement per 2020 ZDP Share due on the 2020 ZDP Repayment Date. A fall in Utilico's Gross Assets of 35.15 per cent. or by more than 6.69 per cent. per annum during this period and based on the Assumptions, would result in no payment being made to the 2020 ZDP Shareholders.

Voting rights

The ZDP Shares (including the Offered ZDP Shares) do 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 ZDP Shares by the passing of an extraordinary resolution at a meeting of the ZDP Shareholders with the ZDP Shares treated as a single class for these purposes. Separate approval of each class of 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 ZDP Shareholders by the passing of an extraordinary resolution at separate class meetings is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of ZDP Shares and in relation to any proposal by Utilico Finance which would reduce the cover of the existing 2014, 2016 or 2018 ZDP Shares below 1.5x or reduce the cover of the existing 2020 ZDP Shares below 1.35x.

Liquidation

If any class of ZDP Shares is 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 Ordinary 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 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 2014 ZDP Shares shall rank in priority to the 2016 ZDP Shares, the 2018 ZDP Shares and the 2020 ZDP Shares;
- the 2016 ZDP Shares shall rank in priority to the 2018 ZDP Shares and the 2020 ZDP Shares; and
- the 2018 ZDP Shares shall rank in priority to the 2020 ZDP Shares.

The entitlement of ZDP Shareholders of a particular class shall be determined in proportion to their holdings of ZDP Shares of that class. Further details of the rights attaching to the ZDP Shares are set out in Part 5 of this document.

Repurchases of Ordinary Shares and ZDP Shares

At its annual general meeting held on 20 November 2013, Utilico was granted the authority to make market purchases of up to 14,863,660 Ordinary Shares (being the equivalent of 14.99 per cent. of the Ordinary Shares in issue as at the date of notice of the annual general meeting). Utilico, as the sole ordinary shareholder of Utilico Finance, granted Utilico Finance authority to repurchase ZDP Shares at Utilico Finance's annual general meeting held on the same date. The Directors will use these authorities with the objective of enhancing shareholder value. Purchases will only be made within guidelines established from time to time by the Board. Resolutions to renew these authorities will be proposed at the respective annual general meetings of Utilico and Utilico Finance to be held in 2014.

The price paid for each class of share will be within the maximum price permitted by the Financial Conduct Authority and in accordance with the Bermuda Companies Act and the Bye-laws, and in any event no purchase of Ordinary Shares will be made at a price in excess of the diluted NAV per Ordinary Share (at a date determined by the Directors falling not more than 10 days before the date of purchase). Any Ordinary Shares may only be purchased at a price such that immediately after such purchase the ZDP Cover of the 2014, 2016 and 2018 ZDP Shares would be at least 1.5x and the ZDP Cover of the 2020 ZDP Shares would be at least 1.35x. Purchases of ZDP Shares will be made at a price not exceeding their Accrued Capital Entitlement (at a date determined by the Directors falling not more than 10 days before the date of purchase) unless the Directors determine that a purchase at a higher price is in the interests of ZDP Shareholders.

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

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

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

Further Issues

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

Utilico's and Utilico Finance's authorised share capital is such that further issues of shares can be made. Utilico's bye-laws contain pre-emption rights which apply on the issue of Ordinary Shares for cash consideration only. There are no pre-emption rights for ZDP Shareholders.

At its annual general meeting held on 20 November 2013, Utilico was granted authority to issue up to 9,915,720 Ordinary Shares (equivalent to approximately 10 per cent. of the Company's issued ordinary share capital as at the date of notice of the annual general meeting) for cash on a non pre-emptive basis. No Ordinary Shares will be issued at a price less than the Net Asset Value per Utilico Share without the approval of Shareholders by a special resolution. Furthermore, no ZDP Shares which rank, as to capital, in priority to, or *pari passu* with, Utilico's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares will be issued at a price which has the effect of reducing the ZDP Cover of the relevant classes of ZDP Shares, at or around the time of the issue of such additional ZDP Shares, below 1.5x in the case of 2014, 2016 and 2018 ZDP Shares, or 1.35x in the case of the 2020 ZDP, in each case without the approval of the relevant class of ZDP Shareholders by an extraordinary resolution.

Life of Utilico and Utilico Finance

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

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

Overseas Investors

The attention of persons resident outside the UK is drawn to the paragraph headed "Overseas ZDP Shareholders" of Part 1 of this document, which contains restrictions on the holding of ZDP Shares by certain persons.

Taxation

It is the intention of the Directors that Utilico and Utilico Finance will continue to 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 7 of this document for details of the taxation of Utilico and Utilico Finance and of certain Shareholders.

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

ISAs

Insofar as is possible, the Directors intend to manage the affairs of Utilico Finance so that the ZDP Shares will be qualifying investments for the purposes of ISAs. Accordingly, the ZDP Shares will be eligible for inclusion in the stocks and shares components of an ISA, subject to applicable subscription limits, and provided that the ISA manager has been issued the 2020 ZDP Shares arising under the Rollover Offer or acquired the ZDP Shares through the secondary market following Admission (and not as part of the Initial Placing or the Placing Programme).

Risk Factors

Utilico's business, and therefore Utilico Finance's ability to fund the redemption amounts for the ZDP Shares, is dependent on many factors and potential investors are advised to read the whole of this document, and in particular the section of this document entitled "Risk Factors" on pages 19 to 28.

Further Information

The attention of investors is drawn to the information contained in Parts 3, 4, 6 and 9 of this document which provide additional information on the Group.

PART 3

THE INVESTMENT PORTFOLIO

1. Utilico's Current Portfolio

- 1.1 The following table provides unaudited summary details of the ten largest investments in Utilico's portfolio which represent in excess of 50 per cent. by value of the portfolio on a look through basis as at 31 May 2014 (being the latest practicable date prior to the publication of this document).

<i>Company</i>	<i>Market value (£'000)</i>	<i>Percentage of total portfolio</i>
Utilico Emerging Markets Limited	106,227	27.0
Infratil Limited	60,455	15.4
Somers Limited	44,065	11.2
Resolute Mining Limited	39,541	10.0
Zeta Resources Limited	33,384	8.5
Vix Group	25,149	6.4
Bermuda First Investment Company Limited	15,165	3.9
Renewable Energy Generation Limited	11,315	2.9
Augean plc	8,993	2.3
Seacrest Limited	7,646	1.9
	<u>351,940</u>	<u>89.5</u>

Source: Company

- 1.2 The following table shows the geographical weighting of Utilico's portfolio on a look through basis as at 31 May 2014 (being the latest practicable date prior to the publication of this document):

<i>Geographical area</i>	<i>Percentage of total portfolio</i>
Asia & Far East	18.9
Bermuda	18.9
New Zealand	16.6
UK & Channel Islands	10.9
Gold Mining*	10.9
Australia	9.8
Latin America	5.9
Europe (excluding UK)	4.9
North America	2.0
Middle East and Africa	1.2
	<u>100.0</u>

**Australian and African activities*

Source: Company

- 1.3 The following table shows the sectoral distribution of Utilico's portfolio on a look through basis as at 31 May 2014 (being the latest practicable date prior to the publication of this document):

<i>Sector</i>	<i>Percentage of total portfolio</i>
Renewables	13.9
Oil & Gas	13.9
Other	13.9
Financial Services	13.3
Gold Mining	10.9
Infrastructure IT	7.1
Water & Waste	6.1
Ports	5.8
Airports	4.7
Electricity	4.5
Toll Roads	4.0
Telecoms	1.6
Infrastructure Investment Funds	0.8
	100.0
	100.0

Source: Company

- 1.4 As at 31 May 2014, 85.4 per cent. of Utilico's investment portfolio comprises of listed securities, with the remainder in unlisted investments.
- 1.5 As noted above, the Company has an investment in Utilico Emerging Markets Limited as at 31 May 2014 representing 27.0 per cent. of the Company's portfolio. Utilico Emerging Markets Limited is a closed-ended investment company whose shares are admitted to the Official List (premium segment) and to trading on the London Stock Exchange's main market for listed securities. Utilico Emerging Markets Limited is incorporated in Bermuda with company number 36941. Utilico Emerging Markets Limited's registered office is in Bermuda and is located at Trinity Hall, 43 Cedar Avenue, Hamilton HM11, Bermuda.
- 1.6 As noted above, the Company's ten largest investments represent 89.5 per cent. of the Company investment portfolio. However, four of these investments are themselves collective investment undertakings. Utilico Emerging Markets Limited offers a more diverse exposure to emerging market utilities and transportation infrastructure investments. Infratil Limited offers targeted exposure to the energy, airport and public transport sectors, predominantly in New Zealand and Australia. Zeta Resources Limited is a resources focused holding and development company offering exposure to a global portfolio of listed and unlisted securities which is listed on the Australian Stock Exchange. Bermuda First Investment Company Limited is a Company listed on the Bermuda Stock Exchange which offers exposure to portfolio of strategic investments in Bermuda companies.
- 1.7 Between 31 May 2014 and 1 July 2014 (the latest practicable date prior to the publication of this document) there have been no material sales or purchases of the investments within Utilico's portfolio and no material changes to the portfolio composition.

PART 4

DIRECTORS, MANAGEMENT AND ADMINISTRATION

Directors

The Directors of Utilico and Utilico Finance, all of whom are non-executive for the purposes of the Corporate Governance Code, have overall responsibility for the Group's activities and the implementation of Utilico's investment policy.

The Directors are as follows:

Roger Urwin (*Chairman*)

Dr R Urwin, aged 68 and appointed on 3 May 2007, has many years' experience in the international utility sector, playing a major role in the restructuring and privatisation of the UK electricity industry. He was previously chief executive of National Grid plc, a non-executive director of Utilico Investment Trust plc and a former chairman of Alfred McAlpine plc. He is a director of Canadian Utilities Limited.

John Michael Collier

Mr J M Collier, aged 68 and appointed on 3 May 2007, was educated in Bermuda, the UK and North America. He joined the Bank of Butterfield in Bermuda in 1963 and retired in 1996 as president and chief operating officer. He is currently chairman of Bermuda Commercial Bank Limited, Bermuda First Investment Company Limited and of West Hamilton Holdings Limited. He is a director of Somers Limited. He also serves as a director of a number of US and Bermuda incorporated companies.

Peter Burrows

Mr P Burrows, aged 67 and appointed on 16 September 2011 as a director of Utilico and on 2 November 2011 as a director of Utilico Finance. He is a Bachelor of Economics. Mr Burrows has many years' experience as a stockbroker and founded his own independent specialist private client firm, Burrows Limited, in 1986. Mr Burrows was previously the Chairman of Garratt's Limited, ASC Limited and Rabbit Photo Holdings Ltd and was previously a director of Bell Potter Securities Limited, based in Australia and of a number of other listed and unlisted companies. Mr Burrows has been made an officer in the Order of Australia (AO) for his services to medical research, tertiary education and finance.

Warren McLeland

Mr McLeland, aged 68 and appointed on 17 September 2013, is a science and MBA graduate and was formerly a stockbroker and investment banker. He is chief executive officer of RESIMAC Limited, a securitisation company. In addition, he acts as an adviser in funds management and business strategy to companies operating in the Asia Pacific region. He is Chairman of Somers Limited, and a non-executive director of Trust Company of Australia and Permanent Investments Limited.

Eric Stobart

Mr E Stobart, aged 65 and appointed on 3 May 2007, is a chartered accountant and MBA graduate from London Business School. He spent most of his career in merchant and commercial banking, lately as Director of Public Policy and Regulation for Lloyds TSB Group plc (now Lloyds Banking Group plc). He is a non-executive director of Capita Managing Agency Limited, DSG Pension Trustees Limited, Ignis Asset Management and Blackrock Throgmorton Trust plc. He is also a trustee of a number of Lloyds Banking Group Pension Schemes, of Dixons Retail Pension Scheme, of Lloyd's Superannuation Fund and of Anglian Water Group Pension Schemes.

The Directors are independent of the Manager apart from Michael Collier and Warren McLeland. Michael Collier is not considered to be independent of the Manager because he is the chairman of Bermuda Commercial Bank Limited, and a director of Somers Limited, both of which are companies controlled by the Manager and its associates. Warren McLeland is not considered to be independent of the Manager because he is also chief executive officer of RESIMAC Limited, Chairman of Somers Limited and a non-executive director of Permanent Investments Limited.

The Manager

The investment manager of Utilico is ICM, which has been appointed under the Management Agreement to undertake the discretionary management of Utilico's portfolio and to provide various other management services to the Group, subject to the overriding supervision of the Directors. The Manager has also been appointed to act as secretary to the Group under the Management Agreement.

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

Further details of the Management Agreement are summarised in paragraph 8.2 of Part 9 of this document.

Investment Philosophy

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

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

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

Investment Process

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

Investment Performance

The net asset value performance of Utilico and, for comparison purposes, the FTSE Utilities Index and the FTSE All-Share Index, to 24 June 2014 is set out in the table below:

	6 months (%)	1 year (%)	3 years (%)
Utilico total return	26.9	24.4	3.1
FTSE Utilities Index total return	6.2	9.9	27.2
FTSE All-Share Index total return	2.8	17.1	35.1

Source: Utilico and Bloomberg

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

Global Equity Risk Protection Limited

The Company holds 3,920 Class A non voting shares in GERP which is a Bermuda company registered as a segregated accounts company. GERP was established to allow the Manager's clients to put in place

hedging positions in a way that ensured efficient, fast dealing and satisfied the “best execution” requirements across the various funds. The Company’s aggregate investment in GERP may not exceed 30 per cent. of the Gross Assets of the Company at the time of investment.

Each of GERP’s segregated accounts (including the Company’s) is ring-fenced from the other segregated accounts such that no other segregated account has any claim or exposure to any assets or liabilities of any other segregated account. There is a central GERP corporate administrator which oversees the administration of the various accounts but the corporate administrator does not trade on its own account and all of its expenses are allocated against and funded by each of the segregated accounts. The directors of GERP are Charles Jillings, Duncan Saville and Alasdair Younie.

The Company’s segregated account in GERP is solely for carrying out derivative transactions at the request of and on behalf of the Company in order that it may make investments more efficiently and for the purposes of efficient portfolio management. GERP spreads its investment risk by having the ability to establish an overall net short position in index options, contracts for difference, swaps and equity options (when taking into account the underlying long position and offsetting the derivative position). In addition to the above overall limit, GERP also has in place the following exposure limits at the time of investment:

- GERP may not hold more than 50 per cent. of the value of the Company’s portfolio in GERP in index options; and
- GERP may not hold more than 100 per cent. of the relevant debt or of the relevant market value in foreign currency by way of foreign exchange options or forwards.

The Company regularly reviews the investments in GERP from a risk management perspective.

The Manager monitors and manages GERP’s operational and anticipated portfolio risks and considers on an ongoing basis the aggregate investment of the Company in GERP for the purpose of ensuring that risk levels are appropriate and the guidelines set by the Board are adhered to.

The Company has entered into a loan agreement with GERP in order to fund the Company’s segregated account in GERP. Under the loan agreement GERP may draw down funds from the Company to meet any costs and liabilities arising from the assets held in the Company’s segregated account. As at 24 June 2014, being the latest practicable date prior to publication of this document, the Company’s segregated account in GERP had net assets of approximately £0.1 million.

Co-investment

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

Relationship with Utilico Emerging Markets Limited

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

Investment Allocation

As ICM and its associates provide investment advice to both Utilico and Utilico Emerging Markets Limited (among other clients) an investment allocation policy has been put in place between Utilico and Utilico

Emerging Markets Limited, which is intended to provide transparency for shareholders in each company. The investment allocation policy is as follows:

- all investments in the infrastructure and utility sectors and related companies in Emerging Markets will first be offered in full to Utilico Emerging Markets Limited;
- if Utilico Emerging Markets Limited is technically able to make the investment, but ICM 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 ICM's decision, then Utilico will be free to make the investment (to the extent that the opportunity remains) if it wishes to do so;
- if Utilico Emerging Markets Limited is incapable of making any part of the investment, then Utilico will be free to take up the balance of the investment if it wishes to do so; and
- in circumstances where both Utilico Emerging Markets Limited and Utilico invest in the same securities at the same time, they will invest on substantially the same terms.

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

Potential Conflicts Of Interest

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

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

Should potential conflicts of interest arise, the Manager will have regard to its obligations under the Management Agreement or otherwise to act in the interests of the Group, so far as practicable having regard to its obligations to other clients or funds. In particular, the Management Agreement imposes obligations on the Manager so that it may only effect a transaction on behalf of the Group, or provide advice in relation to a transaction in which the Manager or any associate has directly or indirectly a material interest, which may involve a conflict with the Manager's duty to the Group provided that the nature of such conflict has been disclosed in advance to the Board and the Board agrees that such transaction can proceed. Subject to this, the Manager may effect a transaction on behalf of Utilico or Utilico Finance, or provide advice in relation to a transaction in which either the Manager or any associate acts as principal or as agent for the counterparty, provided that the Manager's or any associate's interest in the transaction has been disclosed in advance to the Board and the Board agrees that such transaction can proceed.

Management and Performance Fees

Management Fee

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

The Manager has agreed to reduce the management fee to 0.25 per cent. per annum from 1 January 2014 until the high water mark of 289.81p is regained.

Performance Fee

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

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

where:

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

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

B is the "Base Equity Funds" being the higher of:

- (i) the Equity Funds of UIT on the last day of the calculation period in respect of which a performance fee was last paid by UIT, being 30 June 2007, under the investment advisory agreement between UIT and Ingot Capital Management Pty Limited less any professional fees and expenses incurred by UIT and the Company in connection with UIT's scheme of reconstruction (but not any costs and expenses incurred in connection with the placing and offer for subscription of ZDP Shares) (**Opening Equity Funds**);
- (ii) the Equity Funds on the last day of a Calculation Period in respect of which a performance fee was last paid under the Management Agreement (**High Water Mark**); and
- (iii) the Equity Funds on the last day of the previous Calculation Period, increased by the Real Percentage Yield on the Reference Index during that Calculation Period (**Previous Equity Funds**).

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

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

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

The latest Calculation Period for the performance fee was the period from 1 July 2012 to 30 June 2013. No performance fee was paid in respect of this period.

The performance fee will be payable within 14 days of the publication of Utilico's annual report and accounts for the relevant Calculation Period, or within 30 days of the termination of ICM's appointment or the commencement of the winding up of Utilico 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 that Calculation Period, plus any accrual for unpaid performance fee arising for that Calculation Period;

Calculation Date means the last day of each Calculation Period;

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

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

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

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

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

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

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

A summary of the main provisions of the Management Agreement is set out in paragraph 8.2 of Part 9 of this document.

Administration

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

Under the terms of the Administration Agreement, the Administrator is entitled to a fee of £295,000 per annum. A summary of the main provisions of the Administration Agreement is set out in paragraph 8.3 of Part 9 of this document.

Custody

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

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

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. The fees paid to JPMorgan under the Custody Agreement for the year ended 30 June 2013 was £78,352 and the Directors do not anticipate that the annual fees going forward will be materially different.

A summary of the main provisions of the Custody Agreement is set out in paragraph 8.4 of Part 9 of this document.

The Company has also appointed Bermuda Commercial Bank Limited (**BCB**) to act as its custodian in respect of such cash and investments as Utilico shall from time to time deposit with it. BCB was incorporated in Bermuda with limited liability on 15 April 1969 under the Bermuda Companies Act with registered number 1404. BCB operates under the Bermuda Companies Act and is licensed and regulated by the Bermuda Monetary Authority. Its registered office and principal place of business is 19 Par-la-Ville Road, Hamilton HM 11, Bermuda (telephone number 001 441 295 5678). The fees payable to BCB depend on the nature and quality of the assets deposited with BCB and there is no minimum fee. The fees paid to BCB under the BCB Custody Agreement for the year ended 30 June 2013 was £51,522 and the Directors do not anticipate that the annual fees going forward will be materially different.

A summary of the main provisions of the BCB Custody Agreement is set out in paragraph 8.8 of Part 9 of this document.

Registration Services

Computershare Investor Services (Jersey) Limited (**Computershare**) has been appointed as branch registrar to maintain in Jersey a branch copy of the register of Shareholders. Each of Utilico and Utilico Finance has

entered into a Registrar Agreement with the Registrar which may be terminated, *inter alia*, on 6 months' notice by either party. In return for providing such services the Registrar is entitled to an annual fee plus reimbursement of certain expenses incurred by the Registrar in connection with its duties from each of Utilico and Utilico Finance. The fees paid to Computershare under the Registrar Agreement for the year ended 30 June 2013 was £16,884 and the Directors do not anticipate that the annual fees going forward will be materially different.

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 may be terminated, *inter alia*, on 6 months' notice by either party. In return for providing such services, the Depositary is entitled to a set-up fee and ongoing annual fees. The fees paid to Computershare Investor Services PLC under the Depositary and Custody Services Agreement for the year ended 30 June 2013 was £36,457 and the Directors do not anticipate that the annual fees going forward will be materially different.

Financial Reporting and Information

Net Asset Value

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

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

In calculating the Net Asset Value, a liability will be included equating to the amount due to ZDP Shareholders at the calculation date each week. The amount due to ZDP Shareholders is accounted for at amortised cost, using the effective interest method. Announcements as to the Net Asset Value per Ordinary Share will include the Accrued Capital Entitlements of the ZDP Shares, including the 2020 ZDP Shares to be issued pursuant to the Rollover Offer and the Initial Placing and the Offered ZDP Shares to be issued pursuant to the Placing Programme.

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

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

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case or generally, they may adopt such other valuation procedures as they consider is reasonable in the circumstances having taken advice from Utilico's auditor. The Directors may delegate to the Manager any

of their discretions under the valuation guidelines.

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

Accounting Policies

The audited accounts of the Group are prepared in sterling under International Financial Reporting Standards as adopted by the European Union. Under International Financial Reporting Standards, the Group prepares a statement of comprehensive income and a statement of changes in equity, which discloses revenue and capital results, including net investment gains.

Management fees, borrowing costs and running expenses of the Group are charged to revenue with the exception of the performance fee which is 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 is allocated to capital, and that part directly attributable to revenue performance will be allocated to revenue.

Reports and Accounts

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

Meetings

It is intended that all general meetings of Utilico and Utilico Finance will be held outside the United Kingdom. Utilico and Utilico Finance each hold an annual general meeting every year. Utilico Shareholders are entitled to attend and vote at all Utilico general meetings. ZDP Shares do not carry any voting rights at general meetings of Utilico, although the consent of ZDP Shareholders is required for certain proposals. Any such consent will be obtained through class meetings of ZDP Shareholders.

Corporate Governance

Utilico Finance

The share capital of Utilico Finance has a standard listing on the Official List and therefore under the Listing Rules Utilico Finance will not be required to comply or provide an explanation for any non-compliance with the UK Corporate Governance Code, and as at the date of this document does not so comply. Bermuda does not have its own corporate governance code with which Utilico Finance is required to comply.

Utilico

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

Except as disclosed below, Utilico complied throughout its last financial year ended 30 June 2013 with the recommendations of the AIC Code and the relevant provisions of the Corporate Governance Code.

All of the Directors were appointed on 3 May 2007, with the exception of Peter Burrows and Warren McLeland, who were appointed as directors of Utilico on 16 September 2011 and 17 September 2013 respectively. In view of the requirement of the Bye-Laws that all Directors retire by rotation, the Board

considers that it is not appropriate for the Directors to be appointed for a specified term, as recommended by provision B.2.3 of the Corporate Governance Code and principle 3 of the AIC Code, nor for a Senior Independent Director to be appointed, as recommended by provision A4.1 of the Corporate Governance Code and principle 1 of the AIC Code. The detailed Directors' remuneration disclosure requirements set out in Corporate Governance Code Provisions D.1 and D.2.1 are not relevant.

Dr R Urwin is Chairman of the Board. All of the Directors are considered to be independent from the Manager other than Michael Collier and Warren McLeland.

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

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

The Board of Utilico has constituted the following committees:

Audit Committee

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

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

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

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

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

Management Engagement Committee

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

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

PART 5

THE ZDP SHARES

1. Rights attaching to the ZDP Shares

The ZDP Shares, including the 2020 ZDP Shares arising pursuant to the Rollover Offer, each have the same rights as each other, save in respect of their ZDP Repayment Dates and their Final Capital Entitlements, which differ for each class of ZDP Share and, in the case of the 2020 ZDP Shares, the level of ZDP Cover below which further ZDP Shares cannot be issued. The rights of the ZDP Shares are set out in the New Utilico Finance Bye-Laws, which contain provisions, *inter alia*, to the following effect:

1.1 **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 ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.

1.2 **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 (excluding, for this purpose only, the payment of the capital entitlement of each class of ZDP Share), shall be applied as follows:
 - (i) first, there shall be paid to the holders of 2014 ZDP Shares *pro rata* to the number of 2014 ZDP Shares held by them, the Accrued Capital Entitlement per 2014 ZDP Share;
 - (ii) secondly, there shall be paid to the holders of 2016 ZDP Shares *pro rata* to the number of 2016 ZDP Shares held by them, the Accrued Capital Entitlement per 2016 ZDP Share;
 - (iii) thirdly, there shall be paid to the holders of 2018 ZDP Shares *pro rata* to the number of 2018 ZDP Shares held by them, the Accrued Capital Entitlement per 2018 ZDP Share;
 - (iv) fourthly, there shall be paid to the holders of 2020 ZDP Shares *pro rata* to the number of 2020 ZDP Shares held by them, the Accrued Capital Entitlement per 2020 ZDP Share; and
 - (v) fifthly, there shall be paid to the holders of the Utilico Finance ordinary shares any surplus assets available for distribution *pro rata* to the number of Utilico Finance ordinary shares held by them.
- (b) The 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 2014 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2014 of 167.60p;
 - (ii) the 2016 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2016 of 192.78p;
 - (iii) the 2018 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2018 of 160.52p; and
 - (iv) the 2020 ZDP Shares will have a Final Capital Entitlement at the end of their life on 31 October 2020 of 154.90p.
- (c) On a liquidation of Utilico and/or Utilico Finance, to the extent that the relevant classes of 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 2014 ZDP Shares shall rank in priority to the 2016 ZDP Shares, the 2018 ZDP Shares and the 2020 ZDP Shares;

- (ii) the 2016 ZDP Shares shall rank in priority to the 2018 ZDP Shares and the 2020 ZDP Shares; and
- (iii) the 2018 ZDP Shares shall rank in priority to the 2020 ZDP Shares.

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

1.3 **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 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 (save as provided in paragraph (h) below):
 - (i) upon any resolution to alter, modify or abrogate the special rights or privileges attached to the 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 ZDP Shares.

- (c) Save as described 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 ZDP Shareholders convened and held in accordance with the provision of the New Utilico Finance Bye-laws:
 - (i) subject to sub-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 ZDP Shares;
 - (ii) pass a resolution for the voluntary winding up of Utilico Finance, such winding up to take effect prior to the final 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 New Utilico Finance Bye-laws summarised in this paragraph 1.3(c);
 - (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 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 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 ZDP Share if the Utilico Finance Directors determine this to be in the interests of ZDP Shareholders, or for any purchase of such ZDP Shares in accordance with any such resolution.

- (d) Notwithstanding the restrictions described in 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 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 ZDP Shares in issue immediately thereafter would have a ZDP Cover of not less than 1.5x in the case of the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares and of not less than 1.35x in the case of the 2020 ZDP Shares. 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 ZDP Repayment Dates of the ZDP Shares in issue on the Calculation Date and (ii) the outstanding amounts payable by the Group under bank facilities and any borrowings ranking in priority to 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 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 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;
- (vii) make such other adjustments as they consider appropriate; and
- (viii) 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 ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the Utilico Finance Bye-laws), the 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 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 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 ZDP Repayment Date, which offer entitles holders of ZDP Shares to receive not later than the date falling 14 days after the relevant 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 described in paragraph (e) above shall not apply and at any special general meeting of Utilico Finance or separate general meeting of the holders of the ZDP Shares held between the date of making such recommendation and the relevant 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 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 ZDP Shares or otherwise) which would enable the holders of the ZDP Shares to receive not later than the date falling 14 days after the relevant 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 ZDP Shareholders may be given to elect to receive any entitlement otherwise than in cash pursuant to the arrangement) then the provisions described in sub-paragraph (e) above shall not apply and the provisions relating to voting described 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 sub-paragraph (f) or (g) above:
- (i) 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 ZDP Shares; and

- (ii) those holders of 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 ZDP Shares shall, on a poll, have such number of votes in respect of ZDP 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 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 sub-paragraph (f) or (g) above (as regards any one or more holders of 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 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 sub-paragraph (h) above) upon a poll, every such holder present in person or by proxy shall have one vote in respect of each ZDP Share held by him.

1.4 **Redemption**

- (a) Utilico Finance shall (subject to the provisions of the Bermuda Companies Act) redeem all the outstanding ZDP Shares in each class on or within 14 days before the relevant ZDP Repayment Date.
- (b) On the redemption of ZDP Shares in accordance with the provisions described in this paragraph 1.4, there shall be paid to the holders of the relevant class of ZDP Shares an amount equal to the Accrued Capital Entitlement per ZDP Share determined in accordance with the provisions described in paragraph 1.2 above.
- (c) Any redemption notice shall specify the redemption amount and the address at which certificates for 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 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 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 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 ZDP Shares to which the certificate relates.

PART 6

FINANCIAL INFORMATION RELATING TO THE GROUP

The financial information contained in this Part 6 (Financial Information Relating to the Group) in respect of Utilico Finance has been extracted without material adjustment from the report and audited accounts of Utilico Finance for the three financial years ended 30 June 2011, 2012 and 2013 and the published half-yearly reports for the periods ending 31 December 2012 and 2013. The financial information in respect of Utilico has been extracted without material adjustment from the published annual report and audited accounts of the Group for each of the financial years ended 30 June 2011, 2012 and 2013 and the published half-yearly reports for the periods ending 31 December 2012 and 2013 which have been incorporated by reference.

Grant Thornton UK LLP were engaged by Utilico Finance and Utilico as their auditor for the financial years ended 30 June 2011 and 2012. None of the audit opinions provided by Grant Thornton UK LLP in respect of the financial information for the financial years ended 30 June 2011 and 2012 included or incorporated by reference in this document have been qualified.

KPMG Audit plc was engaged by Utilico Finance and Utilico as their auditor for the financial year ended 30 June 2013. The audit opinions provided by KPMG Audit plc in respect of the financial information for the financial year ended 30 June 2013 included or incorporated by reference in this document have not been qualified.

The half-yearly reports published for Utilico Finance and Utilico for the six month periods ending 31 December 2012 and 2013 were unaudited.

Section A – Utilico Finance

Statement of Comprehensive Income

	Note	Year ended 30 June			Six month period ended 31 December	
		2011 £'000s	2012 £'000s	2013 £'000s	2012 £'000s	2013 £'000s
Interest income	2	11,602	13,388	14,333	7,565	7,124
Total income		11,602	13,388	14,333	7,565	7,124
Other expenses		–	–	–	–	–
Profit before finance costs and taxation		11,602	13,388	14,333	7,565	7,124
Finance costs	3	(11,602)	(13,388)	(14,333)	(7,565)	(7,124)
Profit before tax		–	–	–	–	–
Taxation		–	–	–	–	–
Profit for the year		–	–	–	–	–
Earnings per share – pence	4	–	–	–	–	–

Utilico Finance does not have any income or expense that is not included in the profit for the year, and therefore the 'profit for the year' is also the 'total comprehensive income for the year', as defined in International Accounting Standard 1 (revised).

All items in the above statement are derived from continuing operations.

Balance Sheet

	Note	Year ended 30 June			Six month period ended 31 December	
		2011 £'000s	2012 £'000s	2013 £'000s	2012 £'000s	2013 £'000s
Current assets						
Other receivables	6	172,762	226,390	199,784	193,017	206,908
Current liabilities						
Zero dividend preference shares		–	(68,269)	–	–	(75,235)
Total assets less current liabilities		172,762	158,121	199,784	193,017	131,673
Non-current liabilities						
Zero dividend preference shares	7	(172,762)	(158,121)	(199,784)	(193,017)	(131,673)
Net assets		–	–	–	–	–
Equity attributable to equity holders		–	–	–	–	–
Ordinary share capital	8	–	–	–	–	–

Notes to the Accounts

1. Accounting policies

Utilico Finance is an investment company incorporated in Bermuda on 17 January 2007. The accounting policies below are unchanged from the previous year.

(a) **Basis of accounting**

The financial statements have been prepared on a historical cost basis.

The financial statements of Utilico Finance have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards Committee that remain in effect.

A statement of changes in equity has not been presented as there is no movement in the current or prior year.

(b) **Zero dividend preference shares**

The ZDP Shares, due to be redeemed on 31 October 2014, 2016 and 2018 at a redemption value of 167.60 pence per share, 192.78 pence per share and 160.52 pence per share respectively, have been classified as liabilities, as they represent an obligation on behalf of Utilico Finance to deliver to their holders a fixed and determinable amount at the redemption date. They are accordingly accounted for at amortised cost, using the effective interest method. Under Bermuda company law ZDP Shares are recognised as share capital in Utilico Finance.

(c) **Cash flow statement**

There were no cash flows in the year or in the prior year and therefore a cash flow statement has not been prepared. All transaction movements were through the intra-group loan account.

(d) **Foreign currency**

The functional and reporting currency is pound sterling because Utilico Finance's ZDP share capital was raised, and will be repaid, in pounds sterling, and has been lent to, and will be repaid by the parent company, in that currency.

(e) **Interest income**

Interest on debt securities is accrued on a time basis using the effective interest method.

(f) **Expenses**

The Company incurs no expenses other than finance costs. The Directors are not entitled to receive any remuneration and all other expenses relating to Utilico Finance are paid in full by the parent company.

(g) **Finance costs**

Finance costs are accounted for on an effective interest method.

(h) **Intra company loan**

Utilico has agreed to place Utilico Finance in sufficient funds to enable Utilico Finance to pay the Accrued Capital Entitlement of each class of ZDP Share on their respective ZDP Repayment Dates. The amount owed in the accounts is based on the entitlements of the ZDP Shareholders at the relevant date.

2. Interest income

	Year ended 30 June			Six month period ended 31 December	
	2011 £'000s	2012 £'000s	2013 £'000s	2012 £'000s	2013 £'000s
Loan to parent company – interest receivable	11,602	13,388	14,333	7,565	7,124

3. Finance costs

	Year ended 30 June			Six month period ended 31 December	
	2011 £'000s	2012 £'000s	2013 £'000s	2012 £'000s	2013 £'000s
ZDP shares	11,602	13,388	14,333	7,565	7,124

4. Earnings per share

The calculation of earnings per share is based on a profit after tax of nil for all the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and a weighted average number of 10 ordinary shares in issue during each year.

5. Dividends

There were no dividends paid or declared in respect of the period.

6. Other receivables

	Year ended 30 June			Six month period ended 31 December	
	2011 £'000s	2012 £'000s	2013 £'000s	2012 £'000s	2013 £'000s
Loan to parent company – Utilico Investments Limited	172,762	226,390	199,784	193,017	206,908

7. Zero dividend preference shares

	Year ended 30 June			Six month period ended 31 December	
	2011 £'000s	2012 £'000s	2013 £'000s	2012 £'000s	2013 £'000s
ZDP shares – current liabilities					
2012 ZDP Shares	–	68,269	–	–	–
2014 ZDP Shares	–	–	–	–	75,235
ZDP Shares – non-current liabilities					
2012 ZDP Shares	73,756	–	–	–	–
2014 ZDP Shares	49,532	67,938	72,705	70,300	–
2016 ZDP Shares	49,474	67,888	72,734	70,289	75,307
2018 ZDP Shares	–	22,295	54,345	52,428	56,366
Total ZDP Shares liabilities	<u>172,762</u>	<u>226,390</u>	<u>199,784</u>	<u>193,017</u>	<u>206,908</u>

ZDP Shares issued by the Company are as follows:

	2012		2014		2016		2018		Total
	Number	£'000s	Number	£'000s	Number	£'000s	Number	£'000s	£'000s
Authorised									
ZDP Shares of 10p each	60,592,190	6,059	50,000,000	5,000	50,000,000	5,000			n/a
ZDP shares of 5.9319p each							49,842,413	2,956	n/a
Issued									
31 December 2013									
Balance at 30 June 2013	-	-	47,500,000	72,705	47,500,000	72,734	49,842,413	54,345	199,784
Issue of ZDP shares	-	-	-	-	-	-	-	-	-
Issue cost of ZDP shares	-	-	-	-	-	-	-	-	-
Redemption of ZDP shares	-	-	-	-	-	-	-	-	-
Finance costs	-	-	-	2,530	-	2,573	-	2,021	7,124
Balance at 31 December 2013	-	-	47,500,000	75,235	47,500,000	75,307	49,842,413	56,366	206,908
Issued									
31 December 2012									
Balance at 30 June 2012	39,342,809	68,269	47,500,000	67,938	47,500,000	67,888	22,250,000	22,295	226,390
Issue of ZDP shares	-	-	-	-	-	-	27,592,413	29,074	29,074
Issue cost of ZDP shares	-	-	-	-	-	-	-	(171)	(171)
Redemption of ZDP shares	(39,342,809)	(69,841)	-	-	-	-	-	-	(69,841)
Finance costs	-	1,572	-	2,362	-	2,401	-	1,230	7,565
Balance at 31 December 2012	-	-	47,500,000	70,300	47,500,000	70,289	49,842,413	52,428	193,017
Issued									
30 June 2013									
Balance at 30 June 2012	39,342,809	68,269	47,500,000	67,938	47,500,000	67,888	22,250,000	22,295	226,390
Issue of ZDP shares	-	-	-	-	-	-	27,592,413	29,074	29,074
Issue cost of ZDP shares	-	-	-	-	-	-	-	(171)	(171)
Redemption of ZDP shares	(39,342,809)	(69,842)	-	-	-	-	-	-	(69,842)
Finance costs	-	1,573	-	4,767	-	4,846	-	3,147	14,333
Balance at 30 June 2013	-	-	47,500,000	72,705	47,500,000	72,734	49,842,413	54,345	199,784
Issued									
30 June 2012									
Balance at 30 June 2011	45,486,200	73,756	37,500,000	49,532	37,500,000	49,474	-	-	172,762
Issue of ZDP shares	-	-	10,000,000	14,650	10,000,000	14,650	11,893,552	11,893	41,193
Issue cost of ZDP shares	-	-	-	(151)	-	(151)	-	(651)	(953)
Cancellation and rollover of ZDP shares	(6,143,391)	(10,356)	-	-	-	-	10,356,448	10,356	-
Finance costs	-	4,869	-	3,907	-	3,915	-	697	13,388
Balance at 30 June 2012	39,342,809	68,269	47,500,000	67,938	47,500,000	67,888	22,250,000	22,295	226,390
Issued									
30 June 2011									
Balance at 30 June 2010	45,486,200	68,936	37,500,000	46,112	37,500,000	46,112	-	-	161,160
Finance costs	-	4,820	-	3,420	-	3,362	-	-	11,602
Balance at 30 June 2011	45,486,200	73,756	37,500,000	49,532	37,500,000	49,474	-	-	172,762

2012 ZDP Shares

The 2012 ZDP Shares were redeemed on 31 October 2012 at 177.52p per share. They were issued by Utilico Investment Trust plc (**UIT**) on 7 May 2004 and as part of the scheme of reconstruction implementing the proposals for the voluntary winding-up and reconstruction of UIT, each 2012 ZDP Shareholder received one 2012 ZDP Share in Utilico for every 2012 ZDP Share held on 8 June 2007. Based on the Initial Capital Entitlement of a 2012 ZDP Share of 100p on 7 May 2004, the Final Capital Entitlement at the end of a 2012 ZDP Share life on 31 October 2012 of 177.52p equated to a 7 per cent. per annum Gross Redemption Yield.

2014 ZDP Shares

Based on the Initial Capital Entitlement of a 2014 ZDP Share of 100p on 15 June 2007, a 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. The capital entitlement (excluding issue costs) per 2014 ZDP Share at 31 December 2013 was 158.12p (31 December 2012: 147.44p and 30 June 2013: 152.64p).

2016 ZDP Shares

Based on the Initial Capital Entitlement of a 2016 ZDP Share of 100p on 15 June 2007, a 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. The capital entitlement (excluding issue costs) per 2016 ZDP Share at 31 December 2013 was 158.12p (31 December 2012: 147.44p and 30 June 2013: 152.64p).

2018 ZDP Shares

Based on the Initial Capital Entitlement of a 2018 ZDP Share of 100p on 26 January 2012, a 2018 ZDP Share will have a Final Capital Entitlement at the end of its life on 31 October 2018 of 160.52p equating to a 7.25 per cent. per annum Gross Redemption Yield. The capital entitlement (excluding issue costs) per 2018 ZDP Share at 31 December 2013 was 114.46p (31 December 2012: 106.73p and 30 June 2013: 110.50p).

All the ZDP Shares are listed on the London Stock Exchange and are stated at amortised cost using the effective interest method. The ZDP Shares carry no entitlement to income however they have a pre-determined Final Capital Entitlement which ranks behind all other liabilities and creditors of Utilico and Utilico Finance but in priority to the Ordinary Shares of Utilico and Utilico Finance save in respect of certain winding up revenue profits of Utilico.

The capital entitlement of each ZDP Share accrues daily and is reflected in the return and Net Asset Value per ZDP Share on an effective interest method.

The ZDP Shares do not carry any voting rights at general meetings of Utilico Finance. However Utilico will not be able to carry out certain corporate actions unless it obtains the separate approval of the ZDP Shareholders (treated as a single class) at a separate meeting. Separate approval of each class of ZDP Shareholders must be obtained in respect of any proposals which would affect their respective rights, including any resolution to wind up Utilico. In addition the approval of ZDP Shareholders by the passing of a special resolution at separate class meetings of the ZDP Shareholders is required in relation to any proposal to modify, alter or abrogate the rights attaching to any class of the ZDP Shares and in relation to any proposal by Utilico Finance or Utilico which would reduce the Group's cover of the existing ZDP Shares below 1.5x.

On a liquidation of Utilico and/or Utilico Finance, to the extent that the relevant classes of ZDP Shares have not already been redeemed, the ZDP 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 2014 ZDP Shares shall rank in priority to the 2016 ZDP Shares and the 2018 ZDP Shares; and
- (ii) the 2016 ZDP Shares shall rank in priority to the 2018 ZDP Shares.

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

8. Ordinary share capital

	<i>Number</i>	<i>£</i>
Authorised		
Ordinary shares of 10p each	<u>10</u>	<u>1</u>
Issued and nil paid		
Balance at 31 December 2012, 31 December 2013, 30 June 2011, 30 June 2012 and 30 June 2013	<u>10</u>	<u>–</u>

In addition to receiving any income distributed by way of dividend, the ordinary shareholders will be entitled to all surplus assets after payment of all debts, including the capital entitlements of the ZDP Shares.

9. Parent undertaking

Utilico is the parent undertaking of Utilico Finance, holding 100 per cent., of the nil paid ordinary shares.

In the opinion of the Directors, the ultimate holding undertaking is General Provincial Life Pension Fund (L) Limited that is incorporated in Malaysia, holding 57.3 per cent., of the Ordinary Shares in Utilico.

10. Related party transactions

Utilico, General Provincial Life Pension Fund (L) Limited and the Board of Utilico Finance are considered related parties. Amounts owing from related parties are disclosed in the financial statements in note 6 and interest receivable from related parties is disclosed in note 2.

11. Operating Segments

The Directors are of the opinion that Utilico Finance's activities comprise a single business segment of financing the ZDP Shares debt by lending current asset funds to its parent company and therefore no segmental reporting is provided.

12. Financial Risk Management

The Board of Utilico Finance is responsible for Utilico Finance's risk management. The Directors' policies and processes for managing the financial risks are set out below.

The Accounting policies which govern the reported Balance Sheet carrying values of the underlying financial assets and liabilities, as well as the related income and expenditure, are set out in note 1 to the accounts. The policies are in compliance with International Financial Reporting Standards as adopted by the European Union and best practice, and include the valuation of financial assets at fair value and liabilities at amortised cost.

Interest Rate exposure

The exposure of the financial assets and liabilities to interest risks is shown below:

	<i>Within one year £'000s</i>	<i>More than one year £'000s</i>	<i>Total £'000s</i>
31 December 2013			
Exposure to fixed rates			
Zero dividend preference shares	(75,235)	(131,673)	(206,908)
Intra-group loan	206,908	–	206,908
	<u>206,908</u>	<u>–</u>	<u>206,908</u>
Net exposures			
At year end	131,673	(131,673)	–
Maximum in year	204,853	(204,853)	–
Minimum in year	130,620	(130,620)	–
	<u>130,620</u>	<u>(130,620)</u>	<u>–</u>

	<i>Within one year £'000s</i>	<i>More than one year £'000s</i>	<i>Total £'000s</i>
31 December 2012			
Exposure to fixed rates			
Zero dividend preference shares	–	(193,017)	(193,017)
Intra-group loan	193,017	–	193,017
Net exposures			
At year end	193,017	(193,017)	–
Maximum in year	260,804	(260,804)	–
Minimum in year	191,015	(191,015)	–
	<i>Within one year £'000s</i>	<i>More than one year £'000s</i>	<i>Total £'000s</i>
30 June 2013			
Exposure to fixed rates			
Zero dividend preference shares	–	(199,784)	(199,784)
Intra-group loan	199,784	–	199,784
Net exposures			
At year end	199,784	(199,784)	–
Maximum in year	260,804	(260,804)	–
Minimum in year	191,015	(191,015)	–
	<i>Within one year £'000s</i>	<i>More than one year £'000s</i>	<i>Total £'000s</i>
30 June 2012			
Exposure to fixed rates			
Zero dividend preference shares	(68,269)	(158,121)	(226,390)
Intra-group loan	226,390	–	226,390
Net exposures			
At year end	158,121	(158,121)	–
Maximum in year	172,762	(172,762)	–
Minimum in year	158,121	(158,121)	–
	<i>Within one year £'000s</i>	<i>More than one year £'000s</i>	<i>Total £'000s</i>
30 June 2011			
Exposure to fixed rates			
Zero dividend preference shares	–	(172,762)	(172,762)
Intra-group loan	172,762	–	176,762
Net exposures			
At year end	172,762	(172,762)	–
Maximum in year	172,762	(172,762)	–
Minimum in year	161,160	(161,160)	–

Credit Risk exposure

Utilico Finance is exposed to potential failure by Utilico to settle the ZDP Share liability on behalf of Utilico Finance on the respective repayment dates. The Board assesses this risk at each Board meeting.

2014 ZDP Shares

Based on their Final Capital Entitlement of 167.60p per share, the Final Capital Entitlement of the 2014 ZDP Shares was covered 3.13x times by Utilico's gross assets on 31 December 2013. Should gross assets fall by 68.1 per cent. over the remaining life of the 2014 ZDP Shares, then the 2014 ZDP Shares would not receive their Final Capital Entitlement in full. Should gross assets fall by 100 per cent., equivalent to an annual fall of 100 per cent., the 2014 ZDP Shares would receive no payment at the end of their life.

2016 ZDP Shares

Based on their Final Capital Entitlement of 192.78p per share, the Final Capital Entitlement of the 2016 ZDP Shares was covered 1.83x times by Utilico's gross assets on 31 December 2013. Should gross assets fall by 45.4 per cent. over the remaining life of the 2016 ZDP Shares, then the 2016 ZDP Shares would not receive their Final Capital Entitlement in full. Should gross assets fall by 68.1 per cent., equivalent to an annual fall of 33.2 per cent., the 2016 ZDP Shares would receive no payment at the end of their life.

2018 ZDP Shares

Based on their Final Capital Entitlement of 160.52p per share, the Final Capital Entitlement of the 2018 ZDP Shares was covered 1.34x by Utilico's gross assets on 31 December 2013. Should the gross assets falls by 25.5 per cent. over the remaining life of the 2018 ZDP Shares, then the 2018 ZDP Shares would not receive their Final Capital Entitlement in full. Should gross assets fall by 45.4 per cent., equivalent to an annual fall of 11.8 per cent., the 2018 ZDP Shares would receive no payment at the end of their life. None of Utilico's financial liabilities is past due or impaired.

Fair Values of financial assets and liabilities

The assets and liabilities of Utilico Finance are, in the opinion of the Directors, reflected in the Balance Sheet at fair value except for ZDP Shares which are carried at amortised cost using effective interest method in accordance with IAS39, or at a reasonable approximation thereof.

The fair values of the ZDP Shares based on their quoted market value are:

	Year ended 30 June			Six month period ended 31 December	
	2011 £'000s	2012 £'000s	2013 £'000s	2012 £'000s	2013 £'000s
2012 ZDP Shares	76,644	67,030	–	–	–
2014 ZDP Shares	53,531	73,150	75,288	74,813	76,950
2016 ZDP Shares	50,063	70,538	78,613	76,653	80,631
2018 ZDP Shares	–	23,140	56,511	55,325	58,316

Capital risk management

The objective of Utilico Finance is to finance the redemption value of the ZDP Shares. The Board has a responsibility for ensuring Utilico Finance's ability to continue as a going concern and to meet the redemption of the ZDP Shares.

13. Disclosures included within the Directors' Report

Auditors

Audit fees in each of the years ended 30 June 2011, 30 June 2012 and 30 June 2013 amounted to £7,000 and were settled by the parent undertaking, Utilico.

No fees were paid or payable to Grant Thornton UK LLP for non audit work for the years ended 30 June 2011 and 2012. No fees were paid or payable to KPMG Audit plc for non audit work for the year ended 30 June 2013.

Directors' Remuneration

No Director received or is entitled to receive any remuneration from Utilico Finance.

Section B – The Group

1. Basis of financial information

Statutory accounts of the Group for the three financial years ended 30 June 2011, 2012 and 2013, in respect of which Utilico's auditor, Grant Thornton UK LLP in the case of the financial years ended 30 June 2011 and 30 June 2012 and KPMG Audit plc in the case of the financial year ended 30 June 2013, have given unqualified opinions that the accounts give a true and fair view of the state of affairs of Utilico and the Group for the three financial years ended 30 June 2011, 2012 and 2013 and that the accounts have been properly prepared in accordance with the Bermuda Companies Act 1981 and that the part of the Directors' Remuneration Report that is stated as having been audited shows the fees paid by Utilico to its Directors, have been incorporated into this document by reference. The half-yearly reports published by the Group for the six month periods ending 31 December 2012 and 2013, which have also been incorporated into this document by reference, were unaudited.

Grant Thornton UK LLP and KPMG Audit plc are members of the Institute of Chartered Accountants in England and Wales.

2. Published annual reports and accounts for the three financial years ended 30 June 2011, 2012 and 2013 and half-yearly reports for the periods ending 31 December 2012 and 2013

2.1 Historical financial information

The published annual reports and audited accounts for the Group for the three financial years ended 30 June 2011, 2012 and 2013 and the half-yearly reports for the periods ending 31 December 2012 and 2013 include, on the pages specified in the table below, the following information which is incorporated by reference into this document. Those parts of the annual reports and audited accounts and half-yearly reports referred to above which are not being incorporated into this document by reference are either not relevant for investors or are covered elsewhere in the document.

<i>Nature of information</i>	<i>Annual report and accounts for the year ended 30 June (audited)</i>			<i>Half-yearly report for the period ended 31 December (unaudited)</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>
	<i>Page Nos</i>	<i>Page Nos</i>	<i>Page Nos</i>	<i>Page Nos</i>	<i>Page Nos</i>
Income Statement/Statement of Comprehensive Income	35	39	46-47	12-13	16-17
Statement of changes in equity	37	41	49	14-15	18-19
Balance sheet	39	43	50	16	20
Cash flow statement	40	44	51	17	21
Accounting policies	41-43	45-47	52-55	18	22
Notes to the accounts	44-67	48-72	56-82	18-23	22-33
Report of the independent auditor	34	38	43-44	n/a	n/a
Chairman's statement	5	6	6-7	2-3	2-4
Investment Manager's report	7-10	8-11	9-13	4-8	5-13
Report of the Directors	20-26	22-29	26-33	11	15

2.2 Selected financial information

The key audited figures that summarise the Group's, financial condition in respect of the three financial years ended 30 June 2011, 2012 and 2013 and the half-year periods ending 31 December 2012 and 31 December 2013, which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Part 6, are set out in the following table:

	<i>As at or for the period ended 30 June (audited)</i>		
	<i>2011</i>	<i>2012</i>	<i>2013¹</i>
Net assets (£'000)	201,477	208,894	167,153
Net asset value per share (pence)	201.63	209.67	157.44
Total			
Total income (£'000)	47,623	31,987	(24,069)
Net profit/(loss) (£'000)	31,147	14,699	(42,250)
Earnings per share (pence)	33.70	14.72	(41.47)
Dividend per share (pence)	8.25	7.00	10.00
Revenue			
Total revenue income (£'000)	11,934	15,850	17,060
Net profit (£'000)	7,073	11,970	12,246
Earnings per share-basic (pence)	7.65	11.99	12.17
Earnings per share-diluted (pence)	7.65	11.99	12.17

	<i>As at or for the period ended 31 December (unaudited)</i>		
	<i>2012</i>	<i>2012 (restated)¹</i>	<i>2013¹</i>
Net assets (£'000)	233,312	230,060	147,610
Net asset value per share (pence)	230.77	230.91	148.86
Total			
Total income (£'000)	34,121	34,278	14,961
Net profit/(loss) (£'000)	24,409	24,653	6,108
Earnings per share (pence)	24.61	24.75	6.16
Dividend per share (pence)	3.75	3.75	3.75
Revenue			
Total revenue income (£'000)	9,793	9,521	4,131
Net profit (£'000)	7,491	7,306	2,268
Earnings per share-basic (pence)	7.46	7.34	2.29
Earnings per share-diluted (pence)	7.46	7.34	2.29

¹ Following the early adoption of IFRS 10 'Consolidated Financial Statements' by the Group from 1 July 2013, the financial information for the six months to 31 December 2012 included in the half-yearly report for the six months to 31 December 2013 (which is incorporated by reference in this document) has been restated in order to reflect the change in the consolidation treatment of two of the Company's subsidiaries, Bermuda First Investment Company Limited and Zeta Resources Limited. The financial information for the year ended 30 June 2013 included in the half-yearly report for the six months to 31 December 2013 has also been restated to reflect the adoption of IFRS 10. The effect of the early adoption of IFRS 10 on the restated financial statements for the year ended 30 June 2013 was to reduce the net assets of the Group by approximately £20 million and to increase the net loss for the period by approximately £9 million.

2.3 **Operating and financial review**

The Group's published annual reports and accounts for the three financial years ended 30 June 2011, 2012 and 2013 included, on the pages specified in the table below: descriptions of the Group's financial condition (in both capital and revenue terms); details of the Group's investment activity and portfolio exposure; and changes in its financial condition for each of those years.

<i>Nature of information</i>	<i>Annual report and accounts for the year ended 30 June (audited)</i>			<i>Half-yearly report for the period ended 31 December (unaudited)</i>	
	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>	<i>2013</i>
	<i>Page Nos</i>	<i>Page Nos</i>	<i>Page Nos</i>	<i>Page Nos</i>	<i>Page Nos</i>
Chairman's statement	5	6	6-7	2-3	2-4
Investment Manager's Report	7-10	8-11	9-13	4-8	5-13
Portfolio analyses	11-15	12-17	14-23	9-10	14
Performance, discount and financial record	73	79	87	25	37

The causes of material changes in the capital value of the Group's assets in the three financial years ended 30 June 2013 and the half-yearly period ended 31 December 2013 can be summarised as follows (figures have been rounded to the nearest £1,000):

- (i) in the year to 30 June 2011, the Group made a net capital gain of £24,074,000. £50,200,000 of this related to gains on investments, with a realised loss on the sale of investments of £25,416,000 and an unrealised gain on investments held of £75,616,000. The balance consisted of other income of £43,000, losses on derivatives of £12,960,000, exchange losses of £1,594,000, finance costs including increase of ZDP Share liability and other costs of £11,615,000;
- (ii) in the year to 30 June 2012, the Group made a net capital gain of £2,729,000. £13,403,000 of this related to gains on investments, with a realised gain on the sale of investments of £1,598,000 and an unrealised gain on investments held of £11,805,000. The balance consisted of gains on derivatives of £942,000, exchange gains of £1,792,000 and finance costs including increase of ZDP Share liability and other costs of £13,408,000;
- (iii) in the year to 30 June 2013, the Group made a net capital loss of £54,496,000. £35,402,000 of this related to losses on investments, with a realised loss on the sale of investments of £6,152,000 and an unrealised loss on investments held of £29,250,000. The balance consisted of losses on derivatives of £3,714,000, exchange losses of £430,000, impairment of goodwill of £1,583,000, finance costs including increase of ZDP Share liability and other costs of £13,727,000 and a gain of £360,000 in respect of research and development income tax benefit; and
- (iv) in the six month period to 31 December 2013, the Group made a net capital gain of £3,840,000. £9,500,000 of this related to gains on investments, with a realised gain on the sale of investments of £3,699,000 and an unrealised gain on investments held of £5,801,000. The balance consisted of gains on derivatives of £1,177,000, exchange gains of £153,000, finance costs including increase of ZDP Share liability and other costs of £6,990,000.

It is not expected that there will be any material impact on the earnings and liabilities per Ordinary Share as a result of the issue of the Offered ZDP Shares.

2.4 **Capital resources**

The Company is funded by both equity and debt, with the debt provided through a £50 million multi-currency facility pursuant to a loan agreement with Scotiabank Europe PLC which expires on 22 March 2016. As at 24 June 2014, the latest practicable date prior to the publication of this document, approximately £22.3 million of this facility was drawn down and the Company's borrowings represent approximately 5.5 per cent., of the Company's Gross Assets (source: Company unaudited assets and liabilities schedule).

In the 11 month period 30 June 2013 to 31 May 2014, the Company had unaudited cash flows from operations of £27.8 million (source: Company's unaudited management accounts).

2.5 **Availability of annual reports and accounts for inspection**

Copies of the Group's annual reports and audited accounts for the three financial years ended 30 June 2011, 2012 and 2013 and the half-yearly reports for the periods ending 31 December 2012 and 2013 are available for inspection at the address set out in paragraph 15 of Part 9 of this document and also at www.utilico.bm.

3. **Capitalisation and indebtedness**

- 3.1 The following table shows the Group's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 30 April 2014 and the Group's unaudited capitalisation as at 31 December 2013 (being the last date in respect of which the Group has published financial information).

Indebtedness

	<i>30 April 2014 (unaudited) £'000</i>
<i>Total Current Debt</i>	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	80,940
	<hr/>
	80,940
<i>Total Non-Current Debt</i>	
Guaranteed	–
Secured	22,238
Unguaranteed/unsecured	134,759
	<hr/>
	156,997
	<hr/> <hr/>

Capitalisation

	<i>31 December 2013 (unaudited) £'000</i>
<i>Shareholder equity</i>	
Shareholder equity	9,916
Legal reserves	262,886
Other reserves	32,069
	<hr/>
	304,871
	<hr/> <hr/>

There has been no capitalisation movement from the last published financial information at 31 December 2013 to 1 July 2014.

The following table shows the Group's unaudited net indebtedness as at 30 April 2014.

	<i>30 April 2014 (unaudited) £'000</i>
A. Cash	2,302
B. Cash equivalent	–
C. Trading securities	–
D. Liquidity (A+B+C)	2,302
E. Current financial receivable	2,885
F. Current bank debt	3,988
G. Current portion of non-current debt	–
H. Trading securities payable	20
I. Other current financial debt	76,932
J. Current financial debt (F+G+H+I)	80,940
K. Net current financial indebtedness (J-E-D)	75,753
L. Non-current bank loans	22,238
M. Bonds issued	–
N. Other non-current loans	134,759
O. Non-current financial indebtedness (L+M+N)	156,997
P. Net financial indebtedness (K+O)	232,750

The Group has contingent indebtedness in the form of derivative financial instruments being the fair value of forward foreign exchange contracts and equity put options entered into for the purposes of efficient portfolio management. As at 30 April 2014, the fair value of the derivative contracts was £738,915.

The Group has no further indirect or contingent indebtedness.

4. Working capital

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

5. NAV

Utilico's most recent published NAV was as at 24 June 2014 and was £170.6 million, reflecting 172.10 pence per Ordinary Share.

PART 7

TAXATION

The comments below are of a general and non-exhaustive nature based on the Directors' understanding of the current revenue law and published practice in Bermuda and the United Kingdom. The comments relate to the position of persons who are resident or ordinarily resident in Bermuda or resident in the United Kingdom for tax purposes, who hold their ZDP Shares as an investment and who are the absolute beneficial owners of the ZDP Shares. The comments below may not apply to certain classes of persons, such as dealers, collective investment schemes, insurance companies, persons holding 10 per cent. or more of the ZDP Shares and persons making or holding their investment with the purpose of obtaining a UK tax advantage.

Investors should note that tax law and interpretation can change (possibly with retrospective effect) and that, in particular, the levels, basis of and reliefs from taxation may change. Such changes may alter the benefits of investment in the Company.

If you are in any doubt about your tax position, or if you may be subject to tax in a jurisdiction other than Bermuda or the United Kingdom, you should consult your professional adviser.

1. General

Any changes to the taxation environment or a change in the tax treatment of the Company may affect investment returns to Shareholders and each Shareholder will have to consider his own tax position and must take his own advice in this matter.

The taxation of income and capital gains of the Company and the Shareholders are subject to the fiscal law and practice of Bermuda, the jurisdictions in which the Company invests and the jurisdictions in which Shareholders are resident or otherwise subject to tax.

The following summaries of the anticipated tax treatment in the United Kingdom and Bermuda do not constitute legal or tax advice and are based on the taxation law in force at the date of the document.

They do not consider all aspects of taxation which may be relevant to a particular Shareholder in light of the Shareholder's particular circumstances (for example, tax consequences in the Shareholder's jurisdiction of residence and/or a particular Shareholder's tax profile). Shareholders should consult their own advisers on the taxation and exchange control implications of their acquiring, holding or disposing of ZDP Shares under the laws of the jurisdiction in which they may be liable to taxation. While this summary is considered to be a correct interpretation of existing laws in force on the date of this document, no assurance can be given that courts or other authorities responsible for the administration of such laws will agree with this interpretation or that changes in such laws will not occur.

Unless specifically requested, an update of this disclosure for subsequent changes or modifications of the law and regulations, or to the judicial and administrative interpretations thereof, will not be made.

2. 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 31 March 2035 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\$18,670 and US\$10,455 respectively (based on each company's assessable capital which includes share premium). The annual government fee may increase following any share capital increases by Utilico and Utilico Finance and thereafter will be based on the share capital and share premium account of each Company as at August of each year.

3. UK Taxation

Utilico Finance

The Directors intend that the affairs of Utilico Finance should be managed and conducted so that it does not become resident in the UK for UK taxation purposes. Accordingly, and provided that Utilico Finance does not carry on a trade in the UK through a permanent establishment, Utilico Finance will not be subject to UK income tax or corporation tax on its profits other than on any UK source income.

ZDP Shareholders

The ZDP Rollover Offer

The conversion of 2014 ZDP Shares into 2020 ZDP Shares under the ZDP Rollover Offer should not result in a holder of 2014 ZDP Shares being regarded as disposing of those 2014 ZDP Shares for the purposes of the UK taxation of chargeable gains. Instead, for such purposes, the 2020 ZDP Shares acquired should be treated as the same asset as the holding of 2014 ZDP Shares converted. Accordingly, the ZDP Shareholder should be regarded as having acquired those 2020 ZDP Shares at the same time and for the same base cost as his or her holding of 2014 ZDP Shares.

Redemption and Disposals

The ZDP Shares should not fall within the definition of an "offshore fund" for the purposes of United Kingdom tax legislation. Therefore, in principle, any profit on a disposal of ZDP Shares or on receipt of the Final Capital Entitlement by a UK resident ZDP Shareholder or a ZDP Shareholder who carries on a trade in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, should be taxed as a chargeable gain for UK tax purposes, subject to applicable reliefs and allowances.

There are two exceptions to the treatment described in the preceding paragraph of which ZDP Shareholders should be aware.

ZDP Shareholders subject to UK Corporation Tax

For ZDP Shareholders who are subject to UK Corporation Tax, if the Final Capital Entitlement is received otherwise than pursuant to a liquidation of the Company, the amount by which the Final Capital Entitlement exceeds the amount originally subscribed for the ZDP Shares will instead be treated as a "distribution" for UK corporation tax purposes.

If the relevant 2020 ZDP Shareholder is a company that is not "small", that distribution will normally be exempt from corporation tax. For a company which is "small", that distribution will be subject to corporation tax as income. A company is "small" for the purposes of the previous paragraph for any accounting period during which staff headcount is below 50 and either turnover or balance sheet total is less than or equal to €10 million.

Disguised Interest

The Finance Act 2013 contains new rules (the "New Rules") intended to make returns which are economically equivalent to interest subject to income tax as income.

It is known that HMRC considers that the New Rules are, in principle, capable of applying to zero dividend preference shares. However there is an exception for shares that are admitted to trading on a regulated market where, at the time of issue, there are no arrangements involving only the relevant ZDP Shares which would produce an amount which is economically equivalent to interest (as defined by the New Rules). As a matter of strict legal interpretation of the legislation, it is not entirely clear whether this exception does apply to the ZDP Shares. However, the Directors and their advisors have considered HMRC guidance and other

publicly available information concerning the exception and have concluded that the exception should apply to the ZDP Shares. The exception will not apply if there are arrangements made by any person in relation to any ZDP Shares where the main purpose or one of the main purposes is to ensure that the return is in fact economically equivalent to interest. The Directors do not intend that Utilico Finance will make any such arrangements and ZDP Shareholders should consider their position very carefully before making any such arrangements with respect to their own holdings of ZDP Shares and should take appropriate professional advice.

Similar rules concerning the UK tax treatment of disguised interest already exist for UK Corporation Tax but are subject to an exclusion for arrangements that have no tax avoidance purpose. The New Rules for income tax do not contain such an exclusion.

If the New Rules apply to the ZDP Shares, it is likely that the return on the ZDP Shares would be subject to tax as income in the hands of ZDP Shareholders who are subject to United Kingdom Income Tax.

Other UK tax considerations

The attention of individuals resident in the United Kingdom for taxation purposes is drawn to Chapter 2, Part 13 of the Income Tax Act 2007, which may render them liable to income tax in respect of the undistributed income of Utilico Finance.

The UK “controlled foreign company” provisions subject UK resident companies to tax on the profits of companies not so resident in which they have an interest. Broadly, a charge may arise to UK tax resident corporate holders of ZDP Shares if a non-resident company is controlled by persons who are resident in the UK, it has profits which are attributable to its UK “significant people functions” and one of the exemptions does not apply. UK corporate investors are advised to consult their independent professional tax advisers as to the implications of these provisions.

ISAs

The ZDP Shares are eligible to be held in the stocks and shares component of an ISA subject to applicable subscription limits, and provided that the ISA manager has been issued the ZDP Shares under the Rollover Offer or acquired them through the secondary market following Admission. ZDP Shares acquired pursuant to the Initial Placing or the Placing Programme will not be eligible for inclusion in an ISA.

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

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

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

4. FATCA

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (**Code**), known as the U.S. Foreign Account Tax Compliance Act (together with any regulations, rules and other guidance implementing such Code sections and any applicable intergovernmental agreement (**IGA**) and related statutes, regulations, rules and other guidance thereunder, FATCA) impose a withholding tax of 30 per cent. on (i) certain U.S. source interest, dividends and other types of income, and (ii) the gross proceeds from the sale or disposition of certain assets of a type that can produce U.S. source interest and dividends, which are received by a foreign financial institution (**FFI**), unless such FFI enters into an agreement with the IRS (**FFI Agreement**), and/or complies with an applicable IGA, to obtain certain information as to the identity of the direct and indirect owners of accounts in such institution. In addition, a withholding tax may be imposed on payments to certain non-financial foreign entities which do not obtain and provide information as to their direct and indirect owners. These rules will generally apply to payments of U.S. source interest, dividends and certain other types of income from U.S. sources after 30 June 2014, and will apply to payments of

gross proceeds from the sale or disposition of assets of a type that can produce U.S. source interest or dividends after 31 December 2016.

The United States Internal Revenue Service (**IRS**) has released temporary and final Treasury Regulations and other guidance that will be used in implementing FATCA, which contain a number of phase-in dates for FATCA compliance. In addition, Bermuda has entered into a Model 2 IGA with the United States. Additional guidance is forthcoming.

FATCA and the Treasury regulations issued thereunder require certain foreign financial institutions (which may include the Company) to enter into an agreement with the IRS to disclose to the IRS the name, address, tax identification number, and other specified information of certain U.S. and non-U.S. persons who own a direct or indirect interest in the foreign financial institution, and to withhold 30 per cent. on “passthru” payments made to any such persons that do not provide the foreign financial institution with the required information or that themselves are foreign financial institutions that have not entered into their own agreement with the IRS, or otherwise be subject to a 30 per cent. withholding tax on certain payments to such entities of income or of proceeds from the sale of property. This withholding tax will not be imposed with respect to payments of income made prior to 1 July 2014 and with respect to payments of proceeds from the sale of property prior to 1 January 2017. Moreover, foreign financial institutions will not be required to withhold on passthru payments before 1 January 2017. The IRS has not yet defined the scope of passthru payment withholding. In addition, a foreign financial institution resident in Bermuda may be subject to additional requirements under the IGA entered into between Bermuda and the United States to implement FATCA and any Bermuda legislation enacted with respect thereto.

The Company may be subject to the requirements imposed on FFIs or the requirements imposed on non-exempted non-financial foreign entities under FATCA. Shareholders will be required to provide any information that the Company determines is necessary to avoid the imposition of such withholding tax, and may be subject to passthru payment withholding if they fail to provide such information or are themselves FFIs that have not entered into their own agreement with the IRS. The Company’s ability to satisfy such obligations will depend on each Shareholder providing, or causing to be provided, any information, including information concerning the direct or indirect owners of such Shareholder that the Company determines is necessary to satisfy such obligations. If a Shareholder fails to provide any such certification or information that is requested by the Company or if a Shareholder’s ownership of the ZDP Shares would cause the Company to be subject to withholding tax, the Company is authorized to withhold amounts otherwise distributable to such Shareholder or to compel such Shareholder to sell its ZDP Shares (and all interests therein) pursuant to the Bye-Laws. Moreover, if the Company initially complies or intends to comply with FATCA but is subsequently unable to comply, or fails to comply, distributions from, and proceeds from the disposition of, any investment may be subject to a 30 per cent. withholding tax, in which case the Company may not have sufficient funds to pay the Final Capital Entitlement in respect of the ZDP Shares.

PART 8

PRINCIPAL BASES AND ASSUMPTIONS

Unless otherwise indicated, the statistics contained in this document relating to the ZDP Shares have been calculated on the principal bases and assumptions set out below. For the avoidance of doubt, the Assumptions have not been used in preparing the working capital statement set out in paragraph 4 of Part 6B of this document.

There can be no guarantee that the Assumptions set out below will be realised. In particular, the actual gross proceeds and net proceeds of the Initial Placing and the Placing Programme may differ from the assumed amounts; market gains or losses between the date of this document and the date of Admission will affect the amount of the Gross Assets and the Net Asset Value of Utilico at Admission; costs will be incurred in investing the net proceeds of the Initial Placing and the Placing Programme; annual running expenses of the Group may exceed the assumed level. Accordingly, no reliance should be placed on the illustrative financial statistics derived from the Assumptions set out below. The attention of prospective investors is also drawn to the risk factors set out on pages 19 to 28 of this document.

The Assumptions used are:

- As at the Rollover Date, there are 99,157,124 Ordinary Shares, 47,500,000 2014 ZDP Shares, 47,500,000 2016 ZDP Shares and 49,842,413 2018 ZDP Shares in issue;
- The unaudited Gross Assets and Net Asset Value of Utilico as at 24 June 2014 were £405.7 million and £170.6 million respectively;
- As at 24 June 2014, the Net Asset Value per Ordinary Share was 172.10p;
- The costs of the Proposals, assuming a total of 5,000,000 2020 ZDP Shares are issued pursuant to the Rollover Offer and 5,000,000 2020 ZDP Shares are issued pursuant to the Initial Placing are approximately £0.4 million (excluding VAT);
- As at 24 June 2014, Utilico had outstanding bank debt of £22.3 million;
- A total of 10,000,000 2020 ZDP Shares arise on the conversion of 2014 ZDP Shares pursuant to the Rollover Offer and/or pursuant to the Initial Placing at 100 pence per 2020 ZDP Share;
- No 2016 ZDP Shares and no 2018 ZDP Shares are issued pursuant to the Placing Programme as the current ZDP Cover of the 2016 ZDP Shares and 2018 ZDP Shares do not currently satisfy the conditions of the Placing Programme as described in Part 1 of this document;
- The capital accrual of a 2014 ZDP Share is 7.25 per cent. per annum, compounded from an issue date of 15 June 2007 up to and including its 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 167.60p per 2014 ZDP Share is payable on 31 October 2014;
- The capital accrual of a 2016 ZDP Share is 7.25 per cent. per annum, compounded from an issue date of 15 June 2007 up to and including its 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 192.78p per 2016 ZDP Share is payable on 31 October 2016;
- The capital accrual of a 2018 ZDP Share is 7.25 per cent. per annum, compounded from a notional issue date of 26 January 2012 up to and including its 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 160.52p per 2018 ZDP Share is payable on 31 October 2018;
- The capital accrual of a 2020 ZDP Share is 7.25 per cent. per annum, compounded from a notional issue date of 31 July 2014 up to and including its 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 154.90p per 2020 ZDP Share is payable on 31 October 2020;
- 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;

- No allowance is made for investing the net proceeds of the Initial Placing or the Placing Programme;
- Utilico and Utilico Finance have indefinite lives;
- No corporation tax or capital gains tax is payable by Utilico or Utilico Finance and no other changes occur in any relevant taxation law and practice;
- There are no changes to generally accepted accounting practices relevant to Utilico and no changes in its accounting policies; and
- No redemption, conversions or repurchases of any Ordinary Shares or ZDP Shares are made prior to the redemption of the 2020 ZDP Shares.

PART 9

GENERAL INFORMATION

1. Responsibility

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

2. Information on Utilico Finance

- 2.1 Utilico Finance was incorporated in Bermuda on 17 January 2007 as an exempted, closed-ended investment company with limited liability under the Bermuda Companies Act with registered number 39479. Utilico Finance has an unlimited life.
- 2.2 Utilico Finance operates under the Bermuda Companies Act, but is otherwise not regulated.
- 2.3 Utilico Finance's registered office is in Bermuda and is located at Trinity Hall, 43 Cedar Avenue, Hamilton HM 11 Bermuda. Utilico Finance's telephone number is 00 1441 295 5678.
- 2.4 Save for its entry into the material contracts summarised in paragraph 8 of this Part 9 and certain non-material contracts, since its incorporation Utilico Finance has not traded or incurred any borrowings.

3. Information on Utilico

- 3.1 Utilico was incorporated in Bermuda on 17 January 2007 as an exempted, closed-ended investment company with limited liability under the Bermuda Companies Act with registered number 39480. Utilico has an unlimited life.
- 3.2 Utilico operates under the Bermuda Companies Act, but is otherwise not regulated.
- 3.3 Utilico's registered office is in Bermuda and is located at Trinity Hall, 43 Cedar Avenue, Hamilton HM 11 Bermuda. Utilico's telephone number is 00 1441 295 5678.

4. Share Capital of the Issuer

- 4.1 As at 1 July 2010 (the first date in the period covered by the historical financial information on Utilico Finance set out in Part 6A of this document), the authorised share capital of Utilico Finance was, £1.00 divided into ten ordinary shares of 10p each, 60,592,190 2012 ZDP Shares of 10p each, 50,000,000 2014 ZDP Shares of 10p each and 50,000,000 2016 ZDP Shares of 10p each and the issued share capital was as set out in the table below:

	<i>No. of issued and fully paid shares</i>	<i>Nominal amount (£) of issued and fully paid shares</i>
Ordinary shares	10	1
2012 ZDP Shares	45,486,200	4,548,620
2014 ZDP Shares	37,500,000	3,750,000
2016 ZDP Shares	37,500,000	3,750,000

- 4.2 The only changes that occurred in Utilico Finance's issued share capital during the period commencing on 1 July 2010 and ending on 30 June 2013 (the last date in the period covered by the historical financial information on Utilico Finance set out in Part 6A of this document), were as follows:

- 4.2.1 On 2 December 2011, by written resolution, Utilico Finance increased its existing authorised share capital from £16,059,220 to £19,015,822 by the creation of 49,842,413 2018 ZDP Shares of 5.9319p each.
- 4.2.2 Pursuant to the terms and conditions of a rollover over contained in the prospectus published by Utilico Finance on 2 December 2011, 6,143,391 2012 ZDP Shares were cancelled and rolled-over into 10,356,448 new 2018 ZDP Shares on 26 January 2012. At the same time Utilico Finance also issued a further 11,893,552 new 2018 ZDP Shares pursuant to a placing.
- 4.2.3 Utilico Finance issued 10,000,000 2014 ZDP Shares and 10,000,000 2016 ZDP Shares on 15 March 2012 and on 25 October 2012 issued a further 27,592,413 2018 ZDP Shares.
- 4.2.4 On 31 October 2012, Utilico Finance redeemed the 2012 ZDP Shares at 177.52p per share.
- 4.2.5 On 1 July 2014, by written resolution, Utilico Finance increased its existing share capital from £19,015,822 to £22,121,862 by the creation of a further 10,000,000 2016 ZDP Shares, 10,000,000 2018 ZDP Shares and 25,000,000 2020 ZDP Shares of 6.0514p each.
- 4.3 The authorised and issued share capital of Utilico Finance as at the date of this document and at Rollover and Initial Placing Admission (based on the Assumptions) is as follows:

	<i>Authorised</i>		<i>Issued and fully paid as at the date of this document</i>		<i>Issued and fully paid as at Rollover and Initial Placing Admission</i>	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares	1	1	10	1	10	1
2012 ZDP Shares	60,592,190	6,059,219	–	–	–	–
2014 ZDP Shares	50,000,000	5,000,000	47,500,000	4,750,000	47,500,000	4,750,000
2016 ZDP Shares	60,000,000	6,000,000	47,500,000	4,750,000	47,500,000	4,750,000
2018 ZDP Shares	59,842,413	3,549,792	49,842,413	2,956,000	49,842,413	2,956,000
2020 ZDP Shares	25,000,000	1,512,850	–	–	up to 25,000,000	up to 1,512,850

- 4.4 The ISIN number of the 2014 ZDP Shares is BMG931261116, of the 2016 ZDP Shares is BMG931261298, of the 2018 ZDP Shares is BMG931261371 and of the 2020 ZDP Shares is BMG931371006.
- 4.5 The liability of holders of the ordinary shares in the capital of Utilico Finance and ZDP Shareholders is limited to the amount payable in respect of those ordinary shares and ZDP Shares held by them respectively.
- 4.6 The rights attaching to the ordinary shares in the capital of Utilico Finance and rights attaching to the ZDP Shares are set out in paragraph 7 of this Part 9.
- 4.7 Save as disclosed in this paragraph 4 and pursuant to the Rollover Offer, Initial Placing and the Placing Programme, in the last three years 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.
- 4.8 No share or loan capital of Utilico Finance is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 4.9 The Utilico Finance Bye-laws authorise the Directors to allot an unlimited number of ZDP Shares without pre-emption rights applying for existing ZDP Shareholders.
- 4.10 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 ZDP Shares in issue as at 20 November 2013, such authority to expire at the conclusion of the annual general meeting of Utilico Finance to be held in 2014. The maximum price to be paid will not be more than the price permitted by the Listing Rules

at the time of purchase (which is currently set a price equal to 5 per cent. above the average market values of the 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 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 Directors determine that a purchase at a higher price is in the interests of ZDP Shareholders. It is intended that a resolution to renew this authority will be passed at the annual general meeting of Utilico Finance to be held in 2014.

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

5. Share capital of Utilico

- 5.1 As at 1 July 2010 (the first date in the period covered by the historical financial information on Utilico incorporated by reference Part 6B of this document), the authorised share capital of Utilico was £12,748,000 divided into 127,479,500 ordinary shares of 10p each and the issued share capital comprised 86,373,863 fully paid Ordinary Shares:

- 5.2 The Company's issued share capital during the last three financial years is set out below:

- (a) during the financial year ended 30 June 2011, the Company issued 13,552,589 Ordinary Shares (including 1,058 Ordinary Shares issued upon the exercise of warrants). As at 30 June 2011, the Company's issued ordinary share capital comprised 99,926,452 fully paid Ordinary Shares;
- (b) during the financial year ended 30 June 2012, the Company issued 762 Ordinary Shares upon the exercise of warrants and 295,000 Ordinary Shares were purchased and cancelled. Following the final exercise date on 30 April 2012, the remaining 3,586,946 warrants were cancelled. As at 30 June 2012, the Company's issued ordinary share capital comprised 99,632,124 fully paid Ordinary Shares; and
- (c) during the financial year ended 30 June 2013, 475,000 Ordinary Shares were purchased and cancelled. As at 30 June 2013, the Company's issued ordinary share capital comprised 99,157,124 fully paid Ordinary Shares.

- 5.3 In the period from 1 July 2013 to 1 July 2014 (the latest practicable date prior to the publication of this document), there has been no changes in the Company's issued share capital.

- 5.4 The authorised and issued share capital of the Company as at the date of this document and, based on the Assumptions will, on Rollover and Initial Placing Admission, be:

	<i>Ordinary Shares</i>
Total nominal value of authorised share capital (£)	25,000,000
Authorised number	250,000,000
Total nominal value of issue share capital (£)	9,915,721
Number in issue	99,157,214

- 5.5 The ISIN number of the Ordinary Shares is BMG9314Y1003.

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

- 5.7 The rights attaching to the Ordinary Shares are set out in paragraph 7 of this Part 9.

- 5.8 No share or loan capital of Utilico is under option or has been agreed, conditionally or unconditionally, to be put under option.

- 5.9 Pursuant to a special resolution passed at the Company's annual general meeting on 20 November 2013, Utilico is authorised to issue up to 9,915,720 Ordinary Shares (equivalent to 10 per cent. of the total number of Ordinary Shares in issue as at the date of the notice of the annual general meeting)

for cash on a non pre-emptive basis. This authority will expire at the earlier of conclusion of the 2014 annual general meeting of the Company or 18 months from the date of the resolution. A resolution to renew this authority will be proposed at the annual general meeting to be held in 2014. Where Ordinary Shares are issued for non-cash consideration pre-emption rights will not apply.

- 5.10 A resolution of Utilico was passed at Utilico's annual general meeting on 20 November 2013, which granted Utilico the authority to make market purchases of up to 14,863,660 Ordinary Shares (being the equivalent of 14.99 per cent. of the issued Ordinary Shares as at the date of the notice of the annual general meeting). This authority will expire at the conclusion of the annual general meeting to be held in 2014 unless renewed at an earlier date. The maximum price to be paid (exclusive of expenses payable by the Company) will not be more than the price permitted by the Listing Rules at the time of purchase (which currently set a price equal to 5 per cent. above the average market value of the Ordinary Shares as derived from the Daily List of the London Stock Exchange for the 5 business days before the purchase is made or the higher of (i) the price of the last independent trade and (ii) the highest current bid at the time of purchase), and any purchases made will be in accordance with the Listing Rules and the Bermuda Companies Act. In any event no purchase of Ordinary Shares will be made at a price in excess of the Net Asset Value of the Ordinary Shares (as determined by the Directors on a date falling not more than 10 days before the date of purchase). A resolution to renew this authority will be proposed at the annual general meeting of Utilico to be held in 2014.
- 5.11 As of the date of this document, Utilico has no listed or unlisted securities not representing share capital.
- 5.12 Under section 103 of the Bermuda Companies Act, the holders of not less than 95 per cent. of the Ordinary Shares may give notice to the remaining Utilico Shareholders to acquire their Ordinary Shares on the terms set out in the notice.

6. Directors' and other interests

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

	<i>Utilico Ordinary Shares</i>	<i>Percentage of Utilico's issued share capital</i>
Roger Urwin	144,371	0.15
Peter Burrows	51,747	0.05
Michael Collier	145,000	0.15
Warren McLeland	23,879	0.02
Eric Stobart	32,648	0.03

None of the Directors nor any persons connected (within the meaning of section 252 of the UK Companies Act 2006) with them have any interest in the share capital of Utilico Finance.

- 6.2 In the financial year ended 30 June 2013, Roger Urwin received a Director's fee of £38,500, Eric Stobart received a Director's fee of £35,000 and Peter Burrows, Michael Collier and Susan Hansen (a former Director) each received a Director's fee of £27,500. The Directors were not paid any amount of remuneration by way of benefits in kind, pension contributions and any contingent or deferred compensation by Utilico or Utilico Finance for their services in all capacities to the Group. Accordingly, there are no amounts set aside or accrued by Utilico or Utilico Finance to provide pension, retirement or similar benefits to the Directors.
- 6.3 Roger Urwin, Michael Collier and Eric Stobart act pursuant to letters of appointment with each of Utilico and Utilico Finance dated 3 May 2007. Peter Burrows acts pursuant to a letter of appointment with Utilico dated 16 September 2011. Warren McLeland acts pursuant to a letter of appointment with Utilico dated 17 September 2013.

- 6.4 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by Utilico or Utilico Finance. Utilico and Utilico Finance maintain directors' and officers' liability insurance for the benefit of the Directors.
- 6.5 There are no actual or potential conflicts of interest between the duties of the Directors to Utilico or to Utilico Finance and their respective private interests or other duties.
- 6.6 None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group which has been effected by it since its incorporation.
- 6.7 The companies and partnerships of which the Directors currently are or have been members of the administrative, management or supervisory bodies or partners at any time during the five years preceding the date of this document (excluding subsidiaries of such companies or partnerships) are as follows:

	<i>Current directorships/partnerships</i>	<i>Former directorships/partnerships</i>
Roger Urwin	ATCO Limited ATCO Power Generation Limited Canadian Utilities Inc Canadian Utilities Limited Barking Power Limited Thames Power Limited	Alfred McAlpine plc National Grid plc National Grid Transco plc Special Utilities Investment Trust plc (in members' voluntary liquidation) Utilico Investment Trust plc
Peter Burrows		Bell Potter Securities Eclectic Investment Company plc
Michael Collier	ATNP Finance Company Bermuda Commercial Park Limited Bermuda First Investment Company Limited Cosmic Limited Exelon Generation Finance Company LLC Somers Isles Shipping Co, Ltd. West Hamilton Holdings Limited Windsong Management Bermuda Limited	Ascendant Group Limited Belco Holdings Limited Exelon Enterprises Investments Inc. RESIMAC Limited Resimac Bermuda Limited Teck Base Metals Ltd. Teck Financial Corporation Ltd. Teck Gold Ltd. Utilico Emerging Markets Limited
Warren McLeland	Intellect Solutions Limited Permanent Investments Limited RESIMAC Limited Somers Limited Trust Company of Australia	Bermuda Commercial Bank Limited
Eric Stobart	Adviser (177) Limited (in members' voluntary liquidation) BlackRock Throgmorton Trust plc Anglian Water Group Pension Schemes Capita Managing Agency Limited Classic Southdown Omnibuses Limited DSG Pension Trustees Limited Falcon Managers Limited (in members' voluntary liquidation) Ignis Asset Management Limited Ignis Fund Managers Limited Ignis Investment Services Limited	A E Grant (Underwriting Agencies) Ltd. Advent Capital (Holdings) Plc Bermuda Commercial Bank Limited LGMC Investors LLP Norwich & Peterborough Building Society Permanent Investments Limited RVC Developments Limited The Stroke Association Tax Incentivised Savings Association T.T. Finance PLC

	<i>Current directorships/partnerships</i>	<i>Former directorships/partnerships</i>
Eric Stobart (continued)	Lloyds Bank Pension Trust (No. 1) Limited Lloyds Bank Pension Trust (No. 2) Limited Lloyds Bank Pension Trustee Services Limited Lloyds Your Tomorrow Trustee Limited LSF Pensions Management Limited Millspires Limited (in members' voluntary liquidation) Staff Pension and Life Assurance Scheme of the Royal Hospital for Neuro-Disability The Third Throgmorton Trust Limited	

6.8 None of the Directors has:

6.8.1 any convictions in relation to fraudulent offences for at least the previous five years;

6.8.2 been declared bankrupt or been the subject of an individual voluntary arrangement within the previous five years;

6.8.3 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;

6.8.4 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;

6.8.5 been subject to the receivership of any personal assets within the previous five years;

6.8.6 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; or

6.8.7 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 within the previous five years.

6.9 Other than those persons set out below, the Directors are not aware of any persons holding, directly or indirectly, 3 per cent. or more of Utilico or Utilico Finance's issued share capital as at 1 July 2014, being the latest practicable date prior to the publication of this document.

*Percentage of Utilico's
issued Ordinary
Share capital*

General Provincial Life Pension Fund (L) Limited	57.3
F&C Asset Management plc	11.8
ICM Limited	4.3

6.10 Save in respect of General Provincial Life Pension Fund (L) Limited, whose interest is set out in paragraph 6.9, 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 Rollover and Initial Placing Admission will exercise or would be able to exercise control over Utilico or Utilico Finance.

- 6.11 No Shareholders or ZDP Shareholders have voting rights attached to their Ordinary Shares or ZDP Shares they hold which are different to the voting rights attached to any other Ordinary Shares or ZDP Shares issued by the Group.

7. Bye-laws

- 7.1 Pursuant to written resolutions passed on 9 May 2007, each of Utilico's and Utilico Finance's principal object is 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 15 of this Part 9.

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

7.2.1 Income

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

7.2.2 Capital

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

7.2.2.1 first, if all of the Winding-Up Revenue Profits (as such term is defined in the Utilico Bye-laws) have not been distributed to holders of Ordinary 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 Ordinary Shares pro rata to the number of Ordinary Shares then held by them; and

7.2.2.2 second, there shall be paid to the holders of the Ordinary Shares, after the payments to Utilico Finance which Utilico is obliged to make under the Subscription Agreement, the surplus assets of Utilico available for distribution pro rata to the number of Ordinary Shares then held by them.

7.2.3 Voting

The holders of the Ordinary Shares shall have the right to receive notice of and to attend and vote at general meetings of Utilico. Each holder of an Ordinary Share being present at a meeting shall upon a show of hands have one vote and, save as described paragraph in 7.2.4.2 below, upon a poll every such holder present in person or by proxy shall have one vote in respect of every Ordinary Share held by him.

7.2.4 Voluntary liquidation of Utilico

7.2.4.1 If all of the relevant ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the Utilico Finance Bye-laws), the Directors shall convene a special general meeting of Utilico to be held within 60 days of the relevant 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 7.2.4.2 below shall apply in relation to such vote.

7.2.4.2 At any such special general meeting, the Ordinary 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 each Ordinary 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.

7.2.4.3 If an offer is made to all holders of ZDP Shares (other than the offeror and/or persons controlled by or acting in concert with the offeror) which becomes or is declared unconditional in all respects prior to the final ZDP Repayment Date, which offer entitles holders of all outstanding ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of Utilico and on the basis that Utilico satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any option for alternative consideration pursuant to such offer) and such offer is recommended by the directors of Utilico Finance and it is stated to be, in the opinion of the financial adviser appointed by Utilico and Utilico Finance, fair and reasonable then the provisions of paragraphs 7.2.4.1 and 7.2.4.2 above shall not apply;

7.2.4.4 If at any general meeting of Utilico held on or prior to any ZDP Repayment Date there is proposed any resolution to sanction any form of arrangement (whether involving the winding-up of Utilico, the redemption of the ZDP Shares or otherwise) which would enable the holders of the ZDP Shares to receive not later than the date falling 14 days after the relevant ZDP Repayment Date an amount in cash equal to or not less than that to which the Directors estimate (so far as practicable at that time) that such holders would otherwise have been entitled to receive on a winding-up of Utilico and on the basis that Utilico satisfies its payment obligations under the Subscription Agreement to the extent that it is able after payment of all other prior ranking indebtedness and liabilities, (ignoring any options ZDP Shareholders may be given to elect to receive any entitlement otherwise than in cash pursuant to the arrangement) then the provisions of paragraphs 7.2.4.1 and 7.2.4.2 above shall not apply.

7.3 The New Utilico Finance Bye-laws contain provisions relating to the rights to income, capital, voting and redemption attaching to its issued share capital as are outlined in Part 5 of this document.

7.4 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 requires.

(a) *Variation of Rights*

Subject to the Bermuda Companies Act, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of the class or with the sanction of a resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons at least holding or representing by proxy one-third in number of the issued shares of the relevant class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present shall be a quorum). Every holder of shares shall be entitled at such meeting to one vote for every share held by him on a poll. The special rights conferred upon the shares shall not be deemed to be varied by the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the company's shares as set out in the Bye-laws.

(b) *Offers of shares*

(i) Subject to the provisions of the Bye-laws and to any special rights conferred on the holders of any class of shares, any share in the company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the company may

from time to time by resolution determine or if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

- (ii) Subject to the Bye-laws, the unissued shares shall be at the disposal of the Directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of them to such persons, at such times and generally on such terms and conditions as they determine. Whilst there are no provisions of Bermuda law equivalent to the provisions of the UK Companies Act 2006 which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash, pursuant to a resolution passed at the AGM held on 2 December 2010 such rights have been incorporated into the Utilico Bye-Laws only, in accordance with the requirements of the Listing Rules.
 - (iii) The company may also pay such brokerages and/or commissions as may be lawful.
 - (iv) No person shall be recognised by the company as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.
- (c) *Notice requiring disclosure of interest in shares*
- (i) 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.
 - (ii) In addition to the right of the Board to serve notice on any shareholder as described in sub-paragraph (i) above, the Board may serve notice on any shareholder requiring that shareholder to provide the company promptly with any information, representations, certificates or forms relating to such shareholder (or its direct or indirect owners or account holders) that the Board determines from time to time are necessary or appropriate for the company to:
 - (A) satisfy any account or payee identification, documentation or other due diligence requirements imposed under sections 1471 to 1474 of the United States Internal Revenue Code of 1986 Treasury Regulations made thereunder and any agreement relating thereto (including any amendments, modification, consolidation, re-enactment or replacement thereof made from time to time (**FACTA**) or the requirements of any similar laws or regulations to which the company may be subject enacted from time to time by any other jurisdiction (**Similar Laws**); or
 - (B) avoid or reduce any tax otherwise imposed by FATCA or Similar Laws (including any withholding upon any payments to such shareholders by the Company); or
 - (C) permit the Company to enter into, comply with, or prevent a default under or termination of, an agreement of the type described in section 1471(b) of the US Internal Revenue Code of 1986 or under Similar Laws.

If any shareholder (a **Defaulting Shareholder**) is in default of supplying to the Company the information referred to above within the prescribed period (which shall not be less than 28 days after the service of the notice), the continued holding of shares in the

company by the Defaulting Shareholder shall be deemed to cause or be likely to cause the company and/or its shareholders a pecuniary and material disadvantage for the purpose described in paragraph (e) below and the Board may, in its discretion, require the Defaulting Shareholder to transfer its shares in accordance with paragraph (e) below.

(d) *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:

- (i) 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;
- (ii) 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
- (iii) 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.

(e) *Compulsory transfer of shares*

The Board 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 or the Manager being required to register or qualify under the Investment Companies Act or any other applicable US law.

(f) *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 or any share premium account, in any manner permitted by and with and subject to any consent required by the Bermuda Companies Act.

(g) *Interests of Directors*

- (i) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Board (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest

(other than by virtue of his interest, directly or indirectly, in shares or debentures or other securities of the company).

- (ii) 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:
 - (A) 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;
 - (B) 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;
 - (C) 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;
 - (D) 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;
 - (E) 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
 - (F) any proposal for the purchase or maintenance of insurance for the benefit of the Director or persons including the Directors.
- (iii) Any Director may act by himself or by his firm in a professional capacity for the company other than as auditor, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director.
- (iv) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the company is interested, and any such Director shall not be accountable to the company for any remuneration or other benefits received by him.
- (h) *Remuneration of Directors*
 - (i) The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees payable to the Directors shall not exceed £200,000 per annum (or such sum as Utilico in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
 - (ii) 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.
 - (iii) 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.

- (i) *Retirement of Directors*
- (i) Directors shall be subject to retirement by rotation and any Director who retires shall be eligible for re-appointment. One third of the directors will retire at each annual general meeting. Any Director who at an annual general meeting of the company shall have then been a Director at each of the preceding two annual general meetings of the company and did not retire by rotation at either such annual general meeting must retire by rotation.
 - (ii) A Director shall not be required to hold any qualification shares.
 - (iii) 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.
- (j) *Dividends and distribution of assets on a winding up*
- (i) The Directors may if they think fit from time to time pay the Shareholders such interim dividends as appear to be justified by the profits of Utilico. ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Group.
 - (ii) No dividend or other amount payable to any shareholder shall bear interest against Utilico. Payment by Utilico of any unclaimed dividend or other amount payable in respect of a share into a separate account shall not constitute Utilico a trustee in respect thereof. Any dividend unclaimed 12 years from the date when it first became payable shall be forfeited automatically, without the necessity for any declaration or other action by Utilico.
 - (iii) 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.
 - (iv) If the company should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may with the authority of a resolution and any other sanction required by Bermuda Companies Act, divide amongst the members in specie the whole or any part of the assets of the company and whether or not the assets shall consist of property of one kind or of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes or property, and may determine how such division should be carried out as between the members or different classes of members.
- (k) *Borrowing*
- (i) Utilico Finance does 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 8.1 of this Part 9.
 - (ii) In respect of Utilico:
 - (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 Utilico 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.

(l) *Register of Shareholders*

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

The register of Depositary Interests representing the Ordinary Shares and ZDP Shares will be kept by the CREST Agent in the United Kingdom.

(m) *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 ordinary 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.

8. Material contracts

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

8.1 Subscription Agreement

A subscription agreement dated 14 May 2007, as amended by an amendment agreement dated 30 November 2011 and an amendment agreement dated 2 July 2014, between Utilico and Utilico Finance pursuant to which, in consideration for Utilico Finance agreeing to transfer to Utilico certain assets, Utilico undertook to contribute (by way of gift, capital contribution or otherwise) such funds as will ensure that Utilico Finance will have in aggregate sufficient distributable reserves on each ZDP Repayment Date to satisfy the Final Capital Entitlement of the ZDP Shares then due and any operational costs or expenses incurred by Utilico Finance.

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

- (a) that for so long as it is the holder of all the ordinary shares in issue in Utilico Finance, it shall not vote in general meetings to pass a resolution of Utilico Finance on the matters which would require the previous sanction of an extraordinary resolution of the holders of each class of ZDP Shares passed at separate general meetings of such holders in accordance with the Utilico Finance Bye-laws unless such previous sanctions have first been obtained. The relevant matters are summarised in paragraph 1.3(c) of Part 5 of this document;
- (b) that it shall not (and that it shall, so far as it is able, procure that none of its subsidiaries shall) enter into any transaction which, if it were a transaction entered into by Utilico Finance, would require the sanction of the ZDP Shareholders under the Utilico Finance Bye-laws or otherwise as required by law without such sanction having been obtained;
- (c) that, except with such sanction as aforesaid or as required from time to time by the Financial Conduct Authority or any other relevant legal or regulatory requirement, it shall ensure that the board of directors of Utilico Finance as constituted from time to time comprises the same individuals who form the Board of Utilico;

- (d) that, except with such sanction as aforesaid, it will not make any distribution to the Shareholders in excess of the amount of its net revenues and revenue reserves nor will it make any repayment of capital to the Shareholders or repurchase any of the Ordinary Shares in the event that following such repayment or repurchase the ZDP Cover shall be less than 1.5x in the case of the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares or less than 1.35x in the case of the 2020 ZDP Shares;
- (e) that it will have due regard to the interests of the ZDP Shareholders;
- (f) that if all of the relevant ZDP Shares are not redeemed on or before the relevant ZDP Repayment Date (except by reason of administrative error rectified within 7 days and disregarding any ZDP Shares which are not redeemed as a result of a failure by the holder to comply with a requirement relating to redemption imposed in accordance with the Utilico Finance Bye-laws), Utilico shall convene a special general meeting of Utilico to be held within 60 days of the relevant ZDP Repayment Date at which a resolution shall be proposed requiring that Utilico be wound up voluntarily pursuant to the Bermuda Companies Act;
- (g) that it shall not, without the previous sanction of an extraordinary resolution of the holders of each class of ZDP Shares passed at separate general meetings of such holders undertake any of the following matters:
 - (i) issue any further shares or rights to subscribe for further shares or convert any securities into shares in Utilico or reclassify any issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital, in priority to, or *pari passu* with, Utilico's payment obligations under the Subscription Agreement in respect of any class of ZDP Shares unless the Directors shall have calculated and Utilico's financial adviser shall have reported to the Directors on such calculations within 60 days prior to the Calculation Date (as defined below) that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, the ZDP Shares in issue immediately thereafter would have a ZDP Cover of not less than 1.5x in the case of the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares or less than 1.35x in the case of the 2020 ZDP Shares. 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 ZDP Repayment Dates of the ZDP Shares in issue on the Calculation Date and (ii) the outstanding amounts payable by the Group under bank facilities and any borrowings ranking in priority to its payment obligations under the Subscription Agreement. Gross assets for this purpose shall mean the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by Utilico, less current liabilities (not including contingent liabilities) of Utilico (other than principal monies borrowed), each as determined by the Directors. The Calculation Date, for the purpose of this paragraph 8.1(g)(i) shall mean the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the announcement of such issue or reclassification or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue. In calculating such ZDP Cover, the Directors shall where available:
 - (A) use the gross assets of Utilico at the most recent practicable date before the Calculation Date;
 - (B) assume that the share capital or rights proposed to be issued or arising on reclassification had been issued and/or exercised and/or reclassified at the end of the month prior to the Calculation Date;
 - (C) adjust the gross assets of Utilico by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;
 - (D) take account of the entitlements to be attached to the new shares or securities or rights to be issued;

- (E) aggregate the Final Capital Entitlement of the existing ZDP Shares and the capital entitlements of the new shares or securities or rights to be issued as aforesaid in each case as at the relevant ZDP Repayment Dates;
- (F) make appropriate adjustments for any other issues or reclassifications or purchases of own share capital which have been made by Utilico or Utilico Finance since the end of the preceding month or will have been made by or at the time of the proposed issue of shares or rights of subscription or conversion into shares or reclassification; and
- (G) make such other adjustments as they consider appropriate.

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

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

provided that no such sanction will be required for the passing of any resolution authorising Utilico to purchase Ordinary Shares which shares may only be purchased at prices at or below their prevailing Net Asset Value on a diluted basis (as determined by the Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and where such repurchases shall not reduce the ZDP Cover below 1.5x in the case of the 2014 ZDP Shares, the 2016 ZDP Shares and the 2018 ZDP Shares or below 1.35x in the case of the 2020 ZDP Shares (as determined by the Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and taking into account of any related purchase by Utilico Finance of ZDP Shares which the directors of Utilico Finance determine to make at or about the same time.

8.2 *Management Agreement*

An amended and restated investment management agreement dated 21 March 2012 (as amended by a supplemental agreement dated 14 September 2012) between Utilico and the Manager under which Utilico has appointed the Manager to provide it with portfolio monitoring, research and other investment management services. The Agreement is subject to termination on 6 months' notice by the Manager and on 12 months' notice by Utilico. The Management Agreement may be terminated by any of the parties forthwith in circumstances which are customary for an agreement of this type, including material breach and liquidation. Under the Management Agreement, the Manager is entitled to receive the base management fee and performance fee calculated on the basis described in Part 4 of this document under the heading "Management and Performance fees". The Manager will also be reimbursed for its out-of-pocket expenses, including reasonable travel and related costs. From 1 March 2012, the Manager has provided company secretarial services to the Group, with Utilico paying one third of the costs associated with this post. The Manager has the benefit of an indemnity from Utilico in relation to liabilities that the Manager may incur in the discharge of its duties under the Management Agreement other than those arising by reason of any fraud, wilful default or negligence on the part of the Manager.

8.3 *Administration Agreement*

The Administration Agreement dated 21 March 2012 between Utilico, the Administrator and the Manager relating to the provision of administrative services to the Group. The agreement is terminable on 6 months' notice in writing and on shorter notice in the event of breach of contract or insolvency. The Administrator receives an annual fee of £295,000 (plus applicable VAT). Utilico will reimburse the

Administrator in respect of reasonable out of pocket expenses including transaction, banking fees and charges. The Administrator has the benefit of an indemnity from Utilico under the terms of the Administration Agreement in relation to liabilities incurred in the discharge of its duties other than those arising by reason of any breach, fraud, wilful default or negligence.

8.4 *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 60 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).

8.5 *Facility Agreement with Scotiabank Europe PLC*

A £50 million secured multi-currency revolving loan facility made between Utilico and Scotiabank Europe PLC (**Scotiabank**) dated 22 March 2011 (as amended by a supplemental agreement dated 1 July 2014). The base currency of the facility is sterling, although individual loans may be drawn down in any currency acceptable to Scotiabank, including US Dollars, Euros, New Zealand Dollars and Australian Dollars. The final repayment date for the loan is 22 March 2016.

Utilico may not make further drawdowns where its debt to asset ratio is above 25 per cent. (or, if Utilico's Gross Assets are below £200 million, above 15 per cent.) (the **Debt/Asset Limit**). The debt to asset ratio is adjusted to exclude certain assets, including the value of investments in any single issuer in excess of 15 per cent. of Gross Assets.

The facility bears interest at an annual rate equal to the aggregate of: (i) LIBOR for the currency and interest period of the relevant advance; (ii) 1.45 per cent.; and (iii) an amount to reflect the mandatory costs of Scotiabank in providing the facility. The LIBOR element of the interest rate can be amended by Scotiabank in the event of severe market disruption.

Scotiabank has a floating charge over the assets of Utilico and has been assigned Utilico's rights under certain material contracts, by way of security in respect of amounts owing under the facility. This security has been established by debentures under English and Bermuda law dated 22 March 2011.

If ICM ceases to be the investment manager of Utilico without the prior written consent of Scotiabank it will constitute an event of default. Other events of default include any breach of the Debt/Asset Limit by the Group as a whole.

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

8.6 *Westhouse Securities Engagement Letter*

The engagement letter dated 16 June 2014 between Utilico and Westhouse Securities pursuant to which Westhouse Securities will provide financial advice to Utilico in connection with the Proposals.

8.7 *Depositary and Custody Services Agreement*

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 fee and ongoing annual fees. The agreement is terminable by either party on 6 months' notice.

8.8 *BCB Custody Agreement*

A custody agreement dated 30 May 2010 between Utilico and Bermuda Commercial Bank Limited (**BCB**) pursuant to which BCB shall act as Utilico's custodian in respect of such cash and investments as Utilico shall from time to time deposit with BCB. The fees payable to BCB depend on the nature and quantity of the assets deposited with BCB and there is no minimum fee. There is no obligation on Utilico to deposit any assets with BCB. The agreement can be terminated on 3 months' notice by either party.

8.9 *Placing Agreement*

The Placing Agreement dated 2 July 2014 between Utilico, Utilico Finance, the Manager and Westhouse Securities whereby Westhouse Securities has agreed, as agent for Utilico Finance to use its reasonable endeavours to procure subscribers for the Placing ZDP Shares under the Initial Placing and the Placing Programme. For its services in connection with the Rollover Offer and the Placing Programme, Westhouse Securities will be entitled to a corporate finance fee of £120,000, a commission of 0.5 per cent. of the aggregate value of the 2020 ZDP Shares arising under the Rollover Offer and a commission of 1 per cent. of the gross proceeds of the Initial Placing and the Placing Programme. Under the agreement, which may be terminated by Westhouse Securities in certain limited circumstances prior to Admission, Utilico, Utilico Finance and the Manager have agreed to certain market standard warranties and indemnities in favour of Westhouse Securities concerning, *inter alia*, the accuracy of the information in this document.

9. Investment Restrictions

Utilico has adopted the following investment and other restrictions:

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

10. Litigation

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

11. Significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest unaudited half-yearly results of the Group were published.

12. Related party transactions

Save as disclosed in note 29 on page 61 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2011, note 29 on page 66 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2012, note 34 on page 75 of the published annual report and audited accounts for the Group for the financial year ended 30 June 2013 and note 12 on page 27 of the half-yearly report for the period ended 31 December 2013, which have all been incorporated into this document by reference, the Group was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted according to the Regulation (EC) No

1606/2002) at any time during the three and a half years ending 31 December 2013 or during the period from 1 January 2014 to 1 July 2014 (being the latest practicable date prior to the publication of this document) other than Utilico being a party to the Management Agreement (described in paragraph 8.2 of this Part 9).

13. Selling restrictions

The attention of potential investors who are not resident in, or who are not citizens of, the UK is drawn to the paragraphs below.

The offer of Placing ZDP Shares under the Initial Placing and the Placing Programme to potential investors may be affected by the laws of the jurisdictions of such potential investors. Such persons should consult their professional advisers as to whether they require any governmental or other consent or need to observe any applicable legal requirements to enable them to subscribe for Placing ZDP Shares under the Initial Placing and/or the Placing Programme. It is the responsibility of all potential investors receiving this Prospectus and/or wishing to subscribe for Placing ZDP Shares under the Initial Placing and/or the Placing Programme to satisfy themselves as to full observance of the laws of their respective territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

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

Persons (including, without limitation, nominees and trustees) receiving this Prospectus should not distribute or send it to any US Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that Utilico Finance has not been, and will not be, registered under the Investment Company Act and the offer, placing and sale of the Placing ZDP Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States.

Accordingly, the Placing ZDP Shares are only being offered and sold outside the United States to non-US Persons in an offshore transaction in reliance on the exemption from registration provided by Regulation S. The Placing ZDP Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any US Person. Any representation to the contrary is a criminal offence in the United States and the re-offer or resale of any ZDP Shares in the United States may constitute a violation of US law.

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

14. Miscellaneous

14.1 Assuming that the maximum of 25,000,000 2020 ZDP Shares are issued under the Initial Placing at an Issue Price of 100p per share, the gross proceeds of the Initial Placing will be £25 million and the net proceeds are expected to be £24.4 million. Assuming that the maximum of 2016 ZDP Shares and 2018 ZDP Shares are issued under the Placing Programme at an Issue Price of 176.75p for the 2016 ZDP Shares and 127.00p for the 2018 ZDP Shares (being the respective bid prices of the 2016 ZDP Shares and 2018 ZDP Shares on 30 June 2014 (being the latest practicable date prior to the publication of this document)) and that the Initial Placing is fully subscribed and therefore that no 2020 ZDP Shares will be issued pursuant to the Placing Programme, the gross proceeds of the Placing Programme will be £30.4 million and the net proceeds are expected to be £30.1 million. The net proceeds of the Initial Placing and the Placing Programme will be advanced by Utilico Finance to Utilico in accordance with the Subscription Agreement and Utilico will invest the net proceeds in accordance with its investment policy and/or use the net proceeds to reduce the level of borrowings and/or for working capital purposes.

14.2 Utilico currently has 5 employees: Charles Jillings, Jacqueline Broers, Jonathan Grocock, Mark Lebell and Amanda Marsh. Save as disclosed in this paragraph no member of the Group has any employees.

14.3 No member of the Group owns or leases any land or buildings.

14.4 No application is being made for any ZDP Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the main market for listed securities of the London Stock Exchange.

14.5 The Company has the following subsidiaries:

	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Number and class of shares held</i>	<i>Holding and voting rights (%)</i>
Utilico Finance	Bermuda	Investment company	10 ordinary shares of 10p nil paid	100
Bermuda First Investment Company Limited	Bermuda	Investment company focussing on Bermuda	1,152,360 ordinary shares of £0.01 fully paid shares	67.2
Zeta Resources Limited	Bermuda	Investment company focussing on resources	35,884,883 ordinary shares of A\$1 fully paid	70.9
Kumarina Resources Limited	Australia	Mineral exploration and investment company	71,102,056 shares of no par value, fully paid	70.9

14.6 Utilico also holds shares linked to a segregated account in GERP. This account which is structured as the Bermuda law equivalent of a protected cell, exists for the sole purpose of carrying out derivative transactions on behalf of the Company. In accordance with the IASB's interpretation in SIC-12, the segregated account in GERP is classified as a special purpose entity of the Company and its financial results are included within the accounts of the Company, which have been incorporated by reference into this document. See note Part 6B of this document for further details.

14.7 The Manager was incorporated in Bermuda on 18 June 2010 as an exempted company incorporated with limited liability with registered number 44350. The registered office of the Manager is 19 Par-la-Ville Road, Hamilton HM 11, Bermuda (a representative of the Manager can be contacted on telephone number +44 (0) 1372 271486).

14.8 The auditor to Utilico and Utilico Finance for the financial periods ended 30 June 2011 and 30 June 2012 was Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU. The auditor to Utilico and Utilico Finance for the financial period ended 30 June 2013 was KPMG Audit plc of 15 Canada Square, London E14 5GL.

14.9 On 20 November 2013, Utilco and Utilico Finance appointed KPMG LLP of 15 Canada Square, London E14 5GL, as auditor. This was because KPMG Audit plc had advised Utilico and Utilico Finance that it had instigated an orderly wind down of its business, with future audit work being transferred to its parent entity, KPMG LLP. KPMG LLP is a member of the Institute of Chartered Accountants in England and Wales

14.10 Westhouse Securities has given and not withdrawn its written consent to the issue of this document and references to its name in the form and context in which such references appear.

15. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of Utilico at Trinity Hall, 43 Cedar Avenue, Hamilton HM 11 Bermuda and at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including 1 July 2015, being the final date of the Placing Programme:

- (a) the Utilico Bye-laws and the New Utilico Finance Bye-laws;

- (b) Utilico Finance's interim reports and unaudited financial statements for the six month periods ended 31 December 2012 and 2013 referred to in Part 6 of this document;
- (c) Utilico Finance's audited annual financial statements for the financial years ended 30 June 2011, 2012 and 2013 referred to in Part 6 of this document;
- (d) Utilico's interim reports and unaudited financial statements for the six month periods ended 31 December 2012 and 2013 referred to in Part 6 of this document;
- (e) Utilico's audited annual financial statements for the financial years ended 30 June 2011, 2012 and 2013 referred to in Part 6 of this document;
- (f) the material contracts referred to in paragraph 8 above of this Part 9;
- (g) the letters of appointment of the Directors referred to in paragraph 6.3 of Part 9 of this document under the heading "Corporate Governance";
- (h) the written consent referred to paragraph 14.10 above of this Part 9; and
- (i) this document.

16. Availability of Prospectus

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

2 July 2014

DEFINITIONS

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

2012 ZDP Shares	zero dividend preference shares of 10p each issued by Utilico Finance that entitled their holders to a capital repayment of 177.52p per share on 31 October 2012
2014 ZDP Shares	zero dividend preference shares of 10p each issued by Utilico Finance that entitle their holders to a capital repayment of 167.60p per share on 31 October 2014
2016 ZDP Shares	zero dividend preference shares of 10p each issued by Utilico Finance that entitle their holders to a capital repayment of 192.78p per share on 31 October 2016
2018 ZDP Shares	zero dividend preference shares of 5.9319p each issued by Utilico Finance pursuant to a rollover offer in 2011, that entitle their holders to a capital repayment of 160.52p per share on 31 October 2018
2020 ZDP Shares	zero dividend preference shares of 6.0514p each to be issued by Utilico Finance pursuant to the Rollover Offer, and, if applicable, the Initial Placing and the Placing Programme that entitle their holders to a capital repayment of 154.90p per share on 31 October 2020
2020 ZDP Redemption Date	31 October 2020
Accrued Capital Entitlement	the accrued capital entitlement of a ZDP Share on any particular date
Administration Agreement	the administration agreement entered into between Utilico, ICM and F&C Management Limited, the terms of which are summarised in paragraph 8.3 of Part 9 of this document
Administrator	F&C Management Limited
Admission	the admission of the Offered ZDP Shares to a standard listing on the Official List and to trading on the London Stock Exchange's main market for listed securities
AIC	the Association of Investment Companies
AIC Code	the AIC Code of Corporate Governance
AIF	an Alternative Investment Fund, as defined in the AIFM Directive
AIFM	an Alternative Investment Fund Manager, as defined in the AIFM Directive
AIFM Directive	the EU Alternative Investment Fund Managers Directive (No. 2011/61/EU)
AIFM Regulations	the Alternative Investment Fund Managers Regulations 2013 (SI 1773/2013)
Assumptions	the principal bases and assumptions set out in Part 8 of this document
Basic Entitlement	the entitlement of each Eligible Shareholder to elect to participate in the Rollover Offer in respect of 31 per cent. of the 2014 ZDP

	Shares registered in such shareholder's name on the Record Date, in each case rounded down to the nearest whole number
BCB Custody Agreement	the custody agreement entered into between Utilico and Bermuda Commercial Bank Limited, the terms of which are summarised in paragraph 8.8 of Part 9 of this document
Bermuda Companies Act	the Bermuda Companies Act 1981, as amended from time to time
Board or Directors	the board of directors of Utilico Finance and/or Utilico and Director means any one of them
Business Day	a day not being a Saturday or a Sunday on which banks are open for business in the City of London
Bye-laws	the bye-laws of Utilico Finance or Utilico, as the context may require
certificated or in certificated form	a share or other security which is not in uncertificated form (that is, not held in CREST)
City Code	the City Code on Takeovers and Mergers, administered by The Panel on Takeovers and Mergers
Closing Date	the closing time for elections under the Rollover Offer, being 3.00 p.m. on 18 July 2014
Company or Utilico	Utilico Investments Limited
Corporate Governance Code	the Financial Reporting Council's UK Corporate Governance Code 2012
CREST	the system for paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
Custodian	JPMorgan Chase Bank, N.A.
Custody Agreement	the custody agreement entered into between Utilico and JPMorgan Chase Bank N.A. the terms of which are summarised in paragraph 8.4 of Part 9 of this document
Depository	Computershare Investor Services PLC
Depository and Custody Services Agreement	the depository and custody services agreement entered into by Utilico, Utilico Finance and Computershare Investor Services PLC further details of which are set out in paragraph 8.7 of Part 9 of this document
Depository Interests	the dematerialised depository interests issued by the Depository representing the underlying ZDP Shares
Disclosure and Transparency Rules	the disclosure and transparency rules made under Part VI of the FSMA (as set out in the FCA Handbook) (as amended)
Eligible Shareholders	Qualifying Holders on the Register on the Record Date
Emerging Markets	predominantly countries included in leading emerging market indices

FCA or Financial Conduct Authority	the UK Financial Conduct Authority (or any successor entity or entities) and, where applicable, acting as the competent authority for the purposes of admission to the Official List
Final Capital Entitlement	the accrued capital entitlement of a ZDP Share on the relevant ZDP Repayment Date or, if lower, the amount per ZDP Share to which the relevant ZDP Shareholders would be entitled, and would receive on a winding-up of the Company
Form of Election	the form of election for use by Eligible Shareholders in connection with the Rollover Offer
FSMA	Financial Services and Markets Act 2000, as amended
GERP	Global Equity Risk Protection Limited, an unquoted exempted company incorporated in Bermuda and registered as a segregated accounts company
GPLPF	General Provincial Life Pension Fund (L) Limited, Utilico's majority shareholder
Gross Assets	the unaudited aggregate value of the gross assets of the Group, including assets represented by principal monies borrowed by the Group, less current liabilities (not including contingent liabilities) of Utilico (other than principal monies borrowed and any payments due under the Subscription Agreement in respect of the ZDP Shares)
Gross Redemption Yield	in respect of a ZDP Share, the annually compounded rate of interest at which the total discounted values of future payments of capital equate to its actual or assumed value at the date of calculation
Group	Utilico and all of its subsidiaries from time to time, including Utilico Finance
ICM or Manager	ICM Limited
Initial Capital Entitlement	the capital entitlement on the date of issue of a ZDP Share
Initial Placing	the initial placing of 2020 ZDP Shares as described in Part 1 of this document
Initial Placing Price	100 pence per 2020 ZDP Share
Initial Placing Shares	the 2020 ZDP Shares to be issued pursuant to the Initial Placing
Investment Company Act	the United States Investment Company Act 1940, as amended
ISA	Individual Savings Account
Issue Price	the applicable price at which the Placing ZDP Shares will be issued under the Placing Programme, which will be determined as described in Part 1 of this document
Listing Rules	the rules and regulations made by the FCA under Part VI of the FSMA
Loan Facility	the £50 million debt facility provided to Utilico by Scotiabank Europe PLC pursuant to a facility agreement, the terms of which are summarised in paragraph 8.5 of Part 9 of this document

London Stock Exchange	London Stock Exchange plc
Management Agreement	the amended and restated management agreement made between the Company and ICM and dated 21 March 2012, the terms of which are summarised in paragraph 8.2 of Part 9 of this document
Net Asset Value or NAV	in respect of the Ordinary Shares, the amount which would be payable to a Shareholder on any specified date if Utilico was wound up and its assets (after making provisions for all its liabilities, including the amounts due to ZDP Shareholders) distributed on that date, valuing assets and providing for liabilities in accordance with the normal accounting policies of Utilico, but ignoring winding up expenses
New Utilico Finance Bye-laws	the Bye-Laws of Utilico Finance, which were adopted by a written resolution of Utilico, the sole ordinary shareholder of Utilico Finance, on 1 July 2014
Offered ZDP Shares	the up to 25,000,000 2020 ZDP Shares, up to 10,000,000 2016 ZDP Shares and up to 10,000,000 2018 ZDP Shares which are available under the Rollover Offer, the Initial Placing and/or the Placing Programme
Official List	the Official List of the FCA
Ordinary Shares	shares of 10p each in the capital of Utilico
Overseas ZDP Shareholders	save as otherwise determined by the Directors, Qualifying Shareholders who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom, Channel Islands and the Isle of Man
Placing Agreement	the placing agreement entered into between Utilico, Utilico Finance, ICM and Westhouse Securities, the terms of which are summarised in paragraph 8.9 of Part 9 of this document
Placing Programme	the placing programme of Offered ZDP Shares as described in Part 1 of this document
Placing ZDP Shares	the Offered ZDP Shares less the number of 2020 ZDP Shares arising under the Rollover Offer and the Initial Placing
Proposals	the Rollover Offer, the Initial Placing and the Placing Programme
Prospectus	this document issued by Utilico Finance dated 2 July 2014 prepared in accordance with the Listing Rules and the Prospectus Rules
Prospectus Rules	the rules published by the FCA under section 73A of the FSMA
Qualifying Holder	registered holders of 2014 ZDP Shares who are not Overseas ZDP Shareholders
Qualifying Holding	the number of 2014 ZDP Shares registered in the name of an Eligible Shareholder as at the Record Date
Receiving Agent	Computershare Investor Services PLC
Record Date	18 July 2014
Register	the register of members of Utilico Finance

Registrars	Computershare Investor Services (Jersey) Limited
Registrar Agreement	the branch register agreement entered into between Utilico and Computershare Investor Services (Jersey) Limited
RIS	Regulatory Information Service
Rollover and Initial Placing Admission	Admission of the 2020 ZDP Shares issued pursuant to the Rollover Offer and the Initial Placing
Rollover Date	the date on which 2014 ZDP Shares validly elected and accepted to participate under the Rollover Offer will be converted into 2020 ZDP Shares, expected to be 31 July 2014
Rollover Offer	the offer being made to Eligible Shareholders to convert part or all of their holding of 2014 ZDP Shares into 2020 ZDP Shares
Rollover Value	the value attributed to the 2014 ZDP Shares on the Rollover Date of 165.25p per 2014 ZDP Share
Savings Plan	the F&C Private Investor Plan and the F&C Pension Savings Plan
Savings Plan Participants	the participants in the Savings Plans
Securities Act	the United State Securities Act of 1933, as amended
Shareholders or Utilico Shareholders	holders of Ordinary Shares
Sterling	the lawful currency of the United Kingdom
Subsequent Admission	the Admission of the Placing ZDP Shares pursuant to the Placing Programme
Subscription Agreement	the agreement dated 14 May 2007 between Utilico and Utilico Finance as amended by an agreement dated 30 November 2011 and an agreement dated 2 July 2014 pursuant to which, <i>inter alia</i> , Utilico Finance transferred certain assets to Utilico in consideration for which Utilico agreed to put Utilico Finance into sufficient funds to enable it to pay the Final Capital Entitlement of each ZDP Share when it falls due for payment in accordance with Utilico Finance's Bye-laws and any operational costs or expenses incurred by Utilico Finance
UIT	Utilico Investment Trust plc, the predecessor to Utilico
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
Utilico	Utilico Investments Limited
Utilico Finance	Utilico Finance Limited, a subsidiary of Utilico
Utilico Finance Bye-laws	the bye-laws of Utilico Finance, as amended from time to time
uncertificated or in uncertificated form	recorded on the Register as being held in uncertificated form (that is, securities held in CREST)
United States	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
US Person	has the meaning given in Regulation S under the Securities Act

VAT	value added tax
Westhouse Securities	Westhouse Securities Limited
Winding-up Revenue Profits	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 Company's Bye-laws
ZDP	zero dividend preference
ZDP Cover	has the meaning given to it in the New Utilico Finance Bye-Laws
ZDP Repayment Date	the date on which the Final Capital Entitlement becomes due for each class of ZDP Share, being 31 October 2014, 31 October 2016, 31 October 2018 and 31 October 2020 respectively
ZDP Shares	the 2014 ZDP Shares, the 2016 ZDP Shares, the 2018 ZDP Shares and the 2020 ZDP Shares
ZDP Shareholders	holders of ZDP Shares

