

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

**Prospective investors' attention is drawn to pages 7 to 15 of this document, which set out the principal risk factors associated with an investment in the Company.**

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

Application has been made to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares and Subscription Shares to be issued in connection with the Scheme, to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective, and that dealings in the Ordinary Shares and Subscription Shares will commence, on 10 November 2009.

The Company is a Registered Closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law 1987, as amended and the Registered Collective Investment Scheme Rules 2008 issued by the Guernsey Financial Services Commission (the "Commission"). The Commission, in granting registration, has not reviewed this document but has relied upon specific warranties provided by Legis Fund Services Limited, the Company's designated manager.

---

## **ADVANCE DEVELOPING MARKETS FUND LIMITED**

*(incorporated in Guernsey under the Companies (Guernsey) Law, 2008, with registration number 50900)*

### **Proposed Issue of Ordinary Shares and Subscription Shares in connection with the recommended proposals for the voluntary winding-up of Advance Developing Markets Trust plc**

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

***Promoter and Investment Manager***  
**Progressive Developing Markets Limited**

---

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

Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it. The Company is required to make certain annual, quarterly and other filings with the Commission. However, the Commission does not regulate or take responsibility for the Company's investment programme or the implementation thereof.

Pursuant to the requirements of the Guernsey Prospectus Rules 2008, the Directors have taken all reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of facts or of opinion. All the Directors accept responsibility accordingly.

If you are in any doubt about the contents of this document you should consult your accountant, legal or professional adviser or financial adviser.

It should be remembered that the price of securities and the income from them can go down as well as up.

No action has been taken to permit the distribution of this document in any jurisdiction other than the United Kingdom. Accordingly, this document may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this document in certain jurisdictions may be restricted by law and, accordingly, persons into whose possession this document comes 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 does not constitute or form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful. In particular, no Shares have been, or will be, registered under the United States Securities Act of 1933 (as amended), or under the securities laws of any state or other political sub-division of the United States or under the applicable securities laws of Australia, Canada, South Africa or Japan. Accordingly, subject to certain exceptions, no Shares may, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in the United States, the Republic of Ireland, Australia, Canada, South Africa or Japan or for the benefit of any US person and this document will not be posted to any person in the United States, the Republic of Ireland, Australia, Canada, South Africa or Japan.

A registered collective investment scheme is not permitted to be directly offered to the public in Guernsey but may be offered to regulated entities in Guernsey or offered to the public by entities appropriately licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

## CONTENTS

	<i>Page</i>
<b>Summary</b>	3
<b>Risk Factors</b>	7
<b>Expected Timetable</b>	16
<b>Important Information</b>	16
<b>Directors, Investment Manager and Advisers</b>	17
<b>Part 1 – The Company</b>	19
<b>Part 2 – Directors, Management and Administration</b>	28
<b>Part 3 – The Scheme and Capital Structure</b>	34
<b>Part 4 – Financial and Other Information</b>	36
<b>Part 5 – Taxation</b>	40
<b>Part 6 – Additional Information</b>	43
<b>Part 7 – Definitions</b>	75

## SUMMARY

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

### **The Company**

The Company is a newly incorporated closed-ended Guernsey registered company, established to act as a successor vehicle to Advance Developing Markets Trust plc (“ADM”) and to pursue a similar investment objective and policy to ADM.

The Company is being launched in connection with a scheme of reconstruction and voluntary winding up of ADM. The Shares are being issued pursuant to the Scheme. The Company’s authorised share capital will initially comprise an unlimited number of shares which may be issued as Ordinary Shares or Subscription Shares. Application has been made for the Ordinary Shares and Subscription Shares to be admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities.

On 25 September 2009 ADM announced its intention to seek shareholder approval to a winding-up and scheme of reconstruction under Section 110 of the Insolvency Act 1986. Subject to approval of the Scheme holders of ADM Ordinary Shares and ADM Subscription Shares will receive Ordinary Shares or Subscription Shares respectively in the Company. In the event that the Scheme is approved and implemented the Liquidators, ADM and the Company will enter into the Transfer Agreement under which all of the then assets of ADM (other than those assets appropriated to the Liquidation Fund in accordance with the Scheme) (as at 30 September 2009 the aggregate net asset value of ADM was £285.4 million), will be transferred to the Company and the Company will issue Ordinary Shares and Subscription Shares (as the case may be) to the ADM Shareholders on the Record Date.

The Board comprises:

Peter O’Connor (*Chairman*)  
Richard Bonsor  
Terence Mahony  
Richard Hotchkis  
John Hawkins

The Listing Rules currently require, amongst other things, that the Chairman and the majority of the Board of the Company are not chairman and directors of another investment company managed by the Investment Manager. At the date of this document Peter O’Connor, Richard Bonsor and Terence Mahony are also directors of ADM and Richard Hotchkis is a director of Advance Frontier Markets Fund Limited each of which are investment companies managed by Progressive Developing Markets Limited. Following the commencement of the liquidation of ADM pursuant to the Scheme, however, it is intended that Peter O’Connor, Richard Bonsor and Terence Mahony will resign as directors of ADM and will at the date of Admission be deemed to be independent of the Investment Manager and its affiliated companies for the purposes of the Listing Rules and the AIC Code.

At the date of Admission, therefore, the Chairman and the majority of the Board of the Company will be deemed to be independent of the Investment Manager and its affiliated companies for the purposes of the Listing Rules and the AIC Code.

The Listing Rules also require, amongst other things, that Directors of the Company who are also directors of another investment company or fund managed by the Investment Manager must be subject to annual re-election by the Company’s Shareholders. Richard Hotchkis will therefore be subject to annual re-election at the Company’s annual general meeting.

## **Investment Policy**

### *Objective*

The Company's investment objective is to achieve consistent returns for Shareholders in excess of the S&P/IFCI Emerging Markets Composite Index in Sterling terms (the "Benchmark").

### *Asset allocation*

The Investment Manager invests in a portfolio of funds and products which give diversified exposure to emerging market economies and those of the Pacific Rim. The Investment Manager does not seek to replicate the Benchmark's geographical distribution. The Company's geographical asset allocation is derived from the Investment Manager's analysis of prospects for regions and countries and of the underlying opportunities for investment.

The Board does not believe that it should impose prescriptive limits on the Investment Manager for the geographical breakdown and distribution by type of fund as this could have a negative impact on the Company's performance and accordingly the Company does not have any prescribed investment limits in this regard.

The Investment Manager has discretion to enter into hedging mechanisms where it believes that this would protect the performance of the Company's investment portfolio in a cost effective manner.

### *Risk diversification*

Individual investments are selected for their potential to outperform as a result of one or more of the following: the performance of the region, market or asset class in which they invest; the skill of the underlying fund manager; and, in the case of closed end funds, through the narrowing of discounts at which their shares trade to net asset value.

No holding of the Company in any other company will represent, at the time of investment, more than 15 per cent. by value of the Company's net assets. The diversification within investee funds is taken into account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive.

### *Gearing*

The Company does not use gearing as a tool to enhance performance but short term borrowing is permitted to assist in the management of liquidity. However, the Directors reserve the right to borrow up to a maximum of 15 per cent. of the Net Asset Value of the Company at the time of drawdown.

### *Profile of typical investor*

Typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their fund manager or broker regarding investment in the Ordinary Shares or Subscription Shares or who have sufficient experience to enable them to evaluate themselves the risks and merits of such investment.

## **Investment Manager**

The Company has appointed Progressive Developing Markets Limited to manage its investments. The Investment Manager is a dedicated manager of fund-of-funds products, having an established track record of over ten years of investing in global emerging markets. It was incorporated in 1996 and is authorised and regulated by the FSA. Since 1998, the Investment Manager has managed ADM (Bloomberg: ADD LN Equity). Since March 2005, the Investment Manager has managed the Advance Emerging Markets Fund, an open ended investment company listed on the Dublin Stock Exchange (Bloomberg: ADVEMUA ID Equity) which utilises a similar fund-of-funds strategy. In addition, since June 2007 the Investment Manager has managed Advance Frontier Markets Fund Limited, a closed ended investment company quoted on the AIM market of the London Stock Exchange (Bloomberg: AFMF:LN Equity) which utilises a fund-of-funds strategy to invest in frontier markets.

The Board is responsible for the determination of the Company's investment policy and has overall responsibility for the Company's day-to-day activities. The Company has, however, entered into the Investment Management Agreement with the Investment Manager under which the Investment Manager has been appointed with responsibility for the discretionary management of the Company's portfolio and the provision of various management services to it, subject to the overriding supervision of the Board.

The Investment Manager is entitled to remuneration comprising a basic fee and, in certain circumstances, a performance fee.

The basic fee will be payable monthly in arrears (and pro rata for part of any month during which the Investment Management Agreement is in force). This monthly fee will be equivalent to one twelfth of one per cent. of the Company's Adjusted Market Capitalisation. The Investment Management Agreement defines the "Company's Adjusted Market Capitalisation" as the aggregate closing mid-market price of the Ordinary Shares on the last Business Day of the month or part of a month for which the basic fees is being calculated plus the aggregate amount, if any, paid by the Company in purchasing its own Ordinary Shares at a discount in the twelve month period ending on such Business Day.

#### **Further Issues and Discount Management**

Under the terms of the Articles, the issue of further Ordinary Shares for cash (and/or the reissue of Ordinary Shares held in treasury) is subject to pre-emption rights in favour of existing Ordinary Shareholders which may be disapplied by Ordinary Shareholders by way of special resolution. These pre-emption rights will not apply to the allotment of Ordinary Shares pursuant to the Scheme as those Shares will not be issued for cash.

Pursuant to a special resolution passed on 28 September 2009 the Directors will have authority following Admission to issue further Ordinary Shares (and/or reissue Ordinary Shares held in treasury from time to time) for cash up to an amount representing 5 per cent. of the issued Ordinary Share capital immediately following Admission on a non-pre-emptive basis. This authority shall expire on the conclusion of the first annual general meeting of the Company.

With the exception of Ordinary Shares issued pursuant to the Scheme, no Ordinary Shares will be issued at a price less than the prevailing Net Asset Value per Ordinary Share, unless they are first offered pro-rata to existing holders of Ordinary Shares.

The Company does not intend to issue any Subscription Shares otherwise than pursuant to the Scheme.

Conditionally upon Admission, and at their sole discretion, the Directors have been granted authority to buy back up to 14.99 per cent. of the Ordinary Shares in issue following Admission. A renewal of the authority to make purchases of Ordinary Shares will be sought from Shareholders at each annual general meeting of the Company. The timing of any purchases will be decided by the Board. Any Ordinary Shares bought back by the Company will either be held in treasury (and may be reissued) or cancelled.

In addition, under the Articles, the Company has the right to purchase Subscription Shares in the market, by tender or by private treaty but such purchases will be limited to a maximum price per Subscription Share which, in the case of purchases through the market, will not exceed 5 per cent. above the average of the middle market closing quotations for the ten consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and if such purchases are by tender, such tender will be available to all holders of Subscription Shares alike. All Subscription Shares purchased will be cancelled and will not be available for re-issue or resale.

#### **Dividend Policy**

The Directors reserve the right, but are not required, to provide returns to Shareholders by making dividend distributions. The Directors' intention is for the Company to retain its earnings to finance growth for the foreseeable future. The Ordinary Shares will rank in full for all dividends declared, made or paid.

The Subscription Shares will not carry any entitlement to dividends.

**Expenses of the Issue**

In aggregate, the costs and expenses of Admission are expected to amount to approximately £0.9 million (including UK stamp duty on the assets transferred to the Company pursuant to the Scheme estimated to amount to £0.5 million (based on the value of the Company's assets held at 30 September 2009 which are subject to UK stamp duty)). These expenses which do not include any expenses of the Scheme payable by ADM, will be paid by the Company and borne by Shareholders. The expenses of the Scheme to be borne by ADM (including taxation) are expected to amount to approximately £1.6 million (exclusive of VAT). For the purposes of the estimate of costs of the Scheme, the estimated deferred tax charge on the crystallisation of unrealised gains on ADM's investment in non-distributing funds has been calculated on the basis of ADM's assets held at 31 August 2009 as £1.3 million. The figure assumes full utilisation of ADM's carried forward excess management expenses at that time and is subject to change (both up and down) as a result of realisations and, since 31 August 2009, market movements up to the time of the commencement of ADM's liquidation.

## RISK FACTORS

**An investment in the Ordinary Shares or Subscription Shares is suitable only 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. 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 the Company or in the Shares prior to making any investment decision. The risks referred to below are all the material risks applicable to the Company of which the Directors are aware as at the date of this document. Additional risks that are not currently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company.**

**Any decision to invest in the Company should be based on a consideration of this document as a whole.**

### General

Investment in the Company should be regarded as medium term in nature and may not be suitable as a short term investment. The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount invested.

### Risks associated with the Shares

#### *Ordinary Shares*

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

#### *Subscription Shares*

The market price and the realisable value of the Subscription Shares, as well as being affected by the value of the underlying Ordinary Shares, also take into account prevailing interest rates, supply and demand for the Subscription Shares, market conditions and general investor sentiment. As such, the market value and the realisable value of the Subscription Shares may fluctuate.

Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable as well as favourable, in the market price of the Subscription Shares. The intrinsic value of a Subscription Share at any time will be the prevailing market price of an Ordinary Share less the subscription price payable per Subscription Share and, as such, it is expected to rise or fall depending on whether the price of an Ordinary Share rises or falls. The market price of a Subscription Share may be higher than the intrinsic value of a Subscription Share, reflecting the potential geared returns available from an investment in the Subscription Shares. The market price of the Subscription Shares will be determined by market forces and there is no guarantee that they will have a market value. In the event of the winding up of the Company prior to the exercise of the subscription rights conferred by the Subscription Shares, holders of Subscription Shares may receive a payment out of the assets which would otherwise be available for distribution amongst the Shareholders. This payment to holders of Subscription Shares may not necessarily be an amount equal to the market value of their Subscription Shares.

Any Subscription Shares not exercised on or before the final subscription date for the Subscription Shares will lapse without any payment being made to the holders of such Subscription Shares unless a trustee appointed by the Company determines that the net proceeds of sale of the Ordinary Shares that would be allotted on the exercise of such Subscription Shares after deduction of all the costs and expenses of sale would exceed the costs of subscription.

The Subscription Shares will not carry any entitlement to dividends. If dividends are paid, this will reduce the Net Asset Value of the Company and accordingly the value of the Ordinary Shares into which the Subscription Shares convert.

### *Liquidity of Shares generally*

The prices at which the Shares will be traded and the prices at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company's investments and some which may affect companies generally.

The published market prices of the Shares will be, typically, their middle market prices. Due to the potential difference between the middle market price of the Shares and the prices at which the Shares can be sold, there is no guarantee that the realisable value of the Shares will reflect their published market prices.

The Company has applied for the Ordinary Shares and Subscription Shares to be issued pursuant to the Scheme to be admitted to trading on the London Stock Exchange. Securities exchanges, including the London Stock Exchange, typically have the right to suspend or limit trading in a company's securities. Any suspension or limits on trading in the Shares may affect the ability of Shareholders to realise their investment.

Although the Shares will be traded on the London Stock Exchange, it is possible that there may not be a liquid market in the Shares and, consequently, Shareholders may have difficulty in selling their holdings. Any Shareholder wishing to dispose of his Shares in the secondary market may only do so by selling them at whatever price a buyer may be prepared to pay for them in the secondary market. There may be no buyer for the requisite amount of Shares on certain dates, which may prevent Shareholders from selling their Shares.

The Company is aiming to achieve capital growth and, therefore, Shares may not be suitable as a short-term investment. Consequently, Share prices may be subject to great fluctuation on small volumes of Shares and thus the Shares may be difficult to sell at a particular price.

## **Risks associated with the Company**

### *Investment policy*

There is no guarantee that the investment policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will continue to achieve its investment policy of achieving consistent returns in excess of the S&P/IFCI Emerging Markets Composite Index in Sterling terms.

The Company invests in other funds where the Investment Manager believes that such funds offer an attractive investment opportunity. There can be no guarantee however that the funds in which the Company invests will meet the Investment Manager's expectations.

### *General market risks associated with the Company's investments*

Changes in economic conditions, interest rates, foreign exchange rates and inflationary pressures, industry conditions, competition, political and diplomatic events, tax, environmental and other laws and other factors can substantially and either adversely or favourably affect the value of the securities in which the Company invests and, therefore, the Company's performance and prospects.

The Company's investments are subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that appreciation in the value of those investments will occur. There can be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the Company's valuation of that investment for the purposes of calculating the Net Asset Value.

The Company's investments, although not made directly into developed economies, are not entirely sheltered from the negative impact of economic slowdown, decreasing consumer demands and credit shortages in such developed economies which, amongst other things, impact the demand for the products and services offered by the companies in which the Company directly or indirectly invests.

A proportion of the Company's portfolio may be held in cash or cash-equivalent investments from time to time. Such proportion of the Company's assets will be out of the market and will not benefit from



positive stockmarket movements, but may give some protection against negative stockmarket movements.

#### *Past performance*

The Company is recently incorporated and has no operating history upon which to evaluate its likely performance. The past performance of assets or funds managed by the Investment Manager is not necessarily indicative of the future performance of the Investment Manager and there is no assurance that the Investment Manager will achieve comparable results. The Company will, however, be managed in the same way as, and the Investment Manager will use the same investment selection process and methods as employed in relation to, ADM.

#### *Life of the Company*

The Company will have an unlimited life. At the Company's annual general meeting first following the fifth anniversary of Admission, and at every fifth annual general meeting thereafter, the Directors undertake to propose an ordinary resolution that the Company continue in existence. If the resolution is not passed then within 4 months of the vote to continue failing the Directors shall formulate and put to Shareholders proposals relating to the future of the Company having had regard to, *inter alia*, prevailing market conditions and applicable regulations and legislation. Shareholders otherwise have no right to redeem their Ordinary Shares or Subscription Shares and will only be able to realise their investments by selling their Ordinary Shares or Subscription Shares in the secondary market or by participating in any share buy back programme undertaken by the Company.

#### *Investor returns*

Investors contemplating an investment in the Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant upon the performance of the funds in which the Company's assets are invested. No guarantee is given, express or implied, that Shareholders will receive back the amount of their investment in the Shares. Due to the overall size, concentration in particular markets and maturities of positions held indirectly by the Company (i.e. through funds selected by the Investment Manager), the value at which its investments can be liquidated may differ, sometimes significantly, from the valuations calculated by the Investment Manager.

In addition, the timing of disposals of investments may also affect the values obtained through such disposals. Securities held indirectly by the Company may routinely trade with bid-offer spreads that may be significant. At times, third-party pricing information may not be available for certain positions held by the Company.

In the event of the Company making a revenue loss or charging management fees and finance costs to its capital account in excess of any retained revenues, it may need to liquidate some of its investments to pay expenses.

#### *Changes in taxation*

Any change in the Company's tax status, or in taxation legislation in either Guernsey, the United Kingdom or elsewhere, could affect the value of the investments held by the Company or the Company's ability to achieve its investment objective or alter the post tax returns to Shareholders. Statements in this document concerning the taxation of UK Shareholders are based upon current UK tax law and practice, that in principle is subject to change which could adversely affect the ability of the Company to meet its investment objective and could adversely affect the taxation of UK Shareholders. The Directors have been advised that the Company should not be an offshore fund for the purposes of UK taxation, but should the Company become an offshore fund for the purposes of UK taxation as a result of changes in current UK tax law and/or practice, this will, compared to current UK tax law and practice, have adverse tax consequences for UK Shareholders.

Statements in this document concerning taxation are based on current taxation law and what is understood to be current practice, both of which are subject to change, possibly with retrospective effect. In any event, the taxation of an investment in the Company will depend on the individual

circumstances of the investor, and prospective investors who are in any doubt should consult their tax advisers before making an investment in the Company.

#### *Performance fee*

The annual performance fee payable to the Investment Manager may result in higher payments to the Investment Manager than alternative arrangements in other types of investment vehicles. The existence of the performance fee may create an incentive for the Investment Manager to make riskier or more speculative investments than it would otherwise make in the absence of such fee. In addition, since the performance fee is calculated on a basis that includes unrealised appreciation of the Company's assets, it may be greater than if such fee was based solely on realised gains.

#### *ERISA*

If 26 per cent. or more of any class of equity ownership in the Company is owned, directly or indirectly, by pension or other employee-benefit plans (including both US and non-US plans but provided that there is at least one ERISA plan (collectively, "Plans")), the assets of the Company will be deemed to be "plan assets", subject to the constraints of the US Employee Retirement Security Act of 1974 ("ERISA") and Section 4975 of the US Internal Revenue Code (the "Code"). If this happens, transactions involving the assets of the Company could be subject to the fiduciary responsibilities of ERISA and to the prohibited transaction provisions of Section 4975 of the Code and, in certain circumstances, the fiduciary of an ERISA Plan that is responsible for the Plan's investment in the Shares could be liable for any ERISA violations by the Company's Directors or Investment Manager.

#### *Financial Reporting Standards and Accounting Practices*

Any change in financial reporting standards or accounting practices could affect the reported value of the investments held by the Company and affect the Company's ability to provide returns to Shareholders.

#### *Regulatory Change*

Future regulatory changes in jurisdictions in which the Company holds (directly or indirectly) assets could limit the ability of the Company to carry out its business as described in this document and/or could have a material adverse effect on its returns.

#### *Draft Alternative Investment Fund Managers Directive*

A draft European Directive on Alternative Investment Fund Managers ("AIFM") was recently published. At the moment, it is not possible to establish whether amendments to the draft AIFM Directive will be made before its inception. The Directors propose to keep the position regarding the AIFM Directive under review, as it may impact the Company (as a Guernsey domiciled, non-EU fund). Furthermore, the Directors will take appropriate steps in the future (which may include a reconstruction of the Company) in light of the final text of the AIFM Directive and any future amendments to it.

### **Risks associated with the Investment Manager**

#### *Fund management*

The success of the investment policy of the Company is dependent upon the expertise of the Investment Manager and its ability to attract and retain suitable staff. There can be no guarantee that individual fund managers will remain with the Investment Manager. The departure of an individual fund manager from the Investment Manager may have an adverse effect on the performance of the Company.

The management of portfolios of developing market securities requires specialist skills and experience and, in the event of an individual fund manager or managers managing the portfolio of the Company leaving the employment of the Investment Manager, there may be a need for the Investment Manager to identify and recruit replacements with the necessary skills.

### *Conflicts of interest*

The Investment Manager manages or advises other investment vehicles, which may lead to conflicts of interest with the Company or may restrict the time it spends on managing the Company's investments.

The Investment Manager may be subject to conflicts of interests, including in relation to the allocation of investment opportunities.

### **Risks associated with investment in developing markets**

#### *Developing markets generally*

The funds selected by the Investment Manager will invest in developing markets. Investing in developing markets involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. In particular there may be (a) the risk of nationalisation or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty including war and revolution; (c) dependence on exports and the corresponding importance of international trade and commodities prices; (d) less liquidity of securities markets; (e) currency exchange rate fluctuations; (f) potentially higher rates of inflation (including hyper-inflation); (g) controls on foreign investment and limitations on repatriation of invested capital and a fund manager's ability to exchange local currencies for pounds sterling; (h) a higher degree of governmental involvement and control over the economies; (i) government decisions to discontinue support for economic reform programmes and imposition of centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about economics and issuers; (k) less extensive regulatory oversight of securities markets; (l) longer settlement periods for securities transactions; (m) less stringent laws regarding the fiduciary duties of officers and directors and protection of investors; and (n) certain consequences regarding the maintenance of portfolio securities and cash with sub-custodians and securities depositories in developing markets.

#### *Developing market debt securities*

The funds selected by the Investment Manager may invest in developing market debt securities, including short-term and long-term securities denominated in various currencies. These securities may be unrated or rated in the lower rating categories by the various credit rating agencies. These securities are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer's capacity to pay interest and repay principal. They are also generally subject to greater risk than securities with higher credit ratings in the case of deterioration of general economic conditions. Additionally, evaluating credit risk for developing market debt securities involves great uncertainty because credit rating agencies throughout the world have different standards, making comparisons across countries difficult. Because investors generally perceive that there are greater risks associated with lower-rated securities, the yields or prices of such securities may tend to fluctuate more than those for higher-rated securities. The market for developing market debt securities is thinner and less active than that for higher-rated securities, which can adversely affect the prices at which securities are sold. In addition, adverse publicity and investor perceptions about developing market debt securities, whether or not based on fundamental analysis, may be a contributing factor in a decrease in the value and liquidity of such securities.

#### *Exchange Controls*

The funds selected by the Investment Manager may purchase investments that may be subject to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on its investments and the capital value of the affected investments.

#### *Unregulated markets/jurisdictions*

Investing in funds domiciled or operating in one or more unregulated environments involves considerations and possible risks not typically involved in investing in securities of companies or funds domiciled or operating in regulated securities markets. Unregulated securities markets are less liquid,

more volatile and less subject to governmental supervision than in regulated environments. Investments in securities of companies or funds domiciled or operating in unregulated environments could be affected by factors not present in regulated environments, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations. The Company makes no warranties or guarantees as to the nature of the regulatory regimes, if any, under which underlying investee funds or managers thereof operate.

### **Risks associated with the Company's investment policy**

#### *Diversification*

Although the Investment Manager seeks to achieve diversification by investing with a number of different funds with different strategies or styles, it is possible that the selected funds may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the investments of the Company to more rapid change in value than would be the case if the assets of the Company were more widely diversified.

#### *Gearing*

Gearing is used only to assist in the short term management of liquidity, not to enhance performance, however should any fall in the underlying asset value result in the Company breaching any financial covenants contained in any loan facilities entered into by the Company, the Company may be required to repay such borrowings in whole or in part together with any attendant costs. This could adversely affect the Company. Repayment of any borrowings will rank ahead of capital repayments to Shareholders in a winding up.

The Company may be indirectly exposed to gearing to the extent that investee funds are themselves geared. Funds selected by the Investment Manager may utilise leverage. This may result in the underlying investee fund controlling substantially more assets than the investee fund has equity. Leverage increases returns to the underlying investee fund if the returns on investments purchased with borrowed funds are greater than the fund's cost of borrowing such funds. However, the use of leverage exposes the underlying investee fund to additional levels of risk, through: (a) greater losses (including the risk of a total loss) from investments than would otherwise have been the case had the fund not borrowed to make the investments; (b) margin calls or interim margin requirements, which may force the premature liquidation of investment positions; and (c) losses (including the risk of a total loss) on investments where the investment fails to earn a return that equals or exceeds the fund's cost of borrowing.

To the extent that options, futures, options on futures, swaps, swaptions and other "synthetic" or derivative financial investments are used, it should be noted that they inherently contain much greater leverage than a non-margined purchase of the underlying security, commodity or instrument. This is due to the fact that generally only a very small portion of the value of the underlying security, commodity or instrument is required to be paid in order to make such investments. In addition, many of these products are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

#### *Derivatives*

The Company may, but is not obliged to, use derivatives to protect the value in its portfolio and reduce costs. Derivative instruments can be highly volatile and expose investors to a high risk of loss. The low initial margin deposits or low initial amounts payable in relation to or to enter into some derivatives enable a higher degree of leverage than might otherwise be required in respect of a direct investment in the underlying asset. As a result, relatively small fluctuations in the value of the underlying asset or the subject of the derivative may result in a substantial fluctuation in the value of the derivative, either up or down. In addition, the amount of loss to the Company through holding a derivative may not be restricted to, and indeed may be many times greater than, the initial margin deposit or amount payable in respect of the derivative. Daily limits on price fluctuations and speculative position limits on exchanges may prevent prompt liquidation of positions resulting in potentially greater losses.

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. In addition, an active market may not exist for a particular derivative instrument at any particular time. The Company will only enter into derivative transactions for the purpose of efficient portfolio management, which may include the enhancement of income and the protection of the portfolio from undue risks. However, such transactions may not always achieve the intended effect and can limit potential gains.

Trading in derivatives markets may be unregulated or subject to less regulation than other markets. Derivatives markets are relatively new and there are uncertainties as to how these markets will perform during periods of unusual price volatility or instability, market liquidity or credit distress. The Company could suffer substantial losses from derivatives holdings in these or other situations.

#### *Small cap stocks*

The underlying investee funds selected by the Investment Manager may have significant investments in smaller to medium sized companies of a less seasoned nature whose securities are traded in an “over-the-counter” market. These “secondary” securities often involve significantly greater risks than the securities of larger, better-known companies, due to shorter operating histories, potentially lower credit ratings and, if they are not listed companies, a potential lack of liquidity in their securities. As a result of lower liquidity and greater share price volatility of these “secondary” securities, there may be a disproportionate affect on the value of the investee funds and, indirectly, on the value of the Company’s portfolio.

#### *Debt securities*

Any debt securities that may be held by the Company will be affected by general changes in interest rates that will in turn result in increases and decreases in the market value of those instruments. When interest rates decline, the value of the Company’s investments in fixed rate debt obligations can be expected to rise and, when interest rates rise, the value of those investments may decline.

Adverse changes in the financial position of an issuer of debt securities or general economic conditions may impair the ability of the issuer to meet interest payments and repayments of principal. Accordingly, any debt securities that may be held by the Company will also be subject to the inherent credit or default risks associated with debt securities and there can be no assurance as to the levels of default and/or recovery that may be experienced with regard to such investments.

#### *Liquidity of portfolio*

The fact that a share is traded does not guarantee its liquidity and the Company’s investments may be less liquid than other listed and publicly traded securities. The Company may invest in securities that are not readily tradeable or may accumulate investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of the Shares. Investors should not expect that the Company will necessarily be able to realise, within a period which they would otherwise regard as reasonable, its investments and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices.

#### *Foreign exchange risks*

The Company will account for its activities and report its results in Sterling while investments will be made and realised in other currencies. The Net Asset Value of the Company will be reported in Sterling. It is not the Company’s policy to engage in currency hedging. Accordingly, the movement of exchange rates between Sterling and the other currencies in which the Company’s investments are denominated or its borrowings are drawn down may have a material effect, unfavourable or favourable, on the returns otherwise experienced on the investments made by the Company.

Movements in the foreign exchange rate between Sterling and the currency applicable to a particular Shareholder may have an impact upon that Shareholder’s returns in their own currency of account.

### *Newly established Investee Managers*

The Investment Manager may invest a portion of the assets of the Company with newly established managers with a limited performance history in operating their own management companies. These newly established management companies are typically small and not part of large financial services organisations and, therefore, such management companies will not have the financial resources and infrastructure normally associated with fund managers who are part of large established financial services organisations. Therefore, such investments may involve greater risks than investment with more established fund managers.

### *Activities of Investee Managers*

Although the Investment Manager will seek to invest the Company's assets in underlying funds whose managers exercise a high level of integrity, the Investment Manager will have no control over the day-to-day operations of any of the underlying fund managers. As a result, there can be no assurance that every underlying fund manager will conform their conduct to these standards.

### *Underlying portfolio management fees and other charges*

The performance of the Company will, in part, be affected by charges relating to the investments of the Company. To the extent that the assets of the Company are invested in underlying funds there may be multiple layers of fees and transaction costs borne by the Company.

## **Risk associated with the Proposals**

### *General*

Implementation of the Scheme is conditional, *inter alia*, on the passing of a special resolution at a class meeting of ADM Ordinary Shareholders together with the passing of special resolutions at two general meetings of ADM. If these conditions, and the other conditions listed in the Scheme Circular are not satisfied, the Scheme will not be implemented and any costs incurred in connection with the Scheme and any subsequent proposals will be borne by ADM.

There can be no guarantee that any appreciation in the value of the investments of the Company will occur and investors may not get back the full amount of their original investment in ADM.

There is no guarantee that the previous investment performance of ADM will continue in the Company.

### *Taxation*

ADM intends to ensure that it conducts its business in the manner of an investment trust (as defined in section 842 of the UK Income and Corporation Taxes Act 1988) throughout the whole of the 12-month financial period commencing on the liquidation of ADM and to meet the conditions set out in that statutory provision. If investment trust status is not maintained, the transfer of ADM's assets by the Liquidators to the Company will give rise to chargeable gains or allowable losses for the purposes of the UK taxation of chargeable gains. The ADM directors have been advised that the manner in which it is proposed to carry out ADM's liquidation and to implement the Proposals is such that ADM should remain eligible to obtain approval as an investment trust for the financial period which includes the date on which ADM's assets are transferred to the Company pursuant to the Transfer Agreement and, accordingly, the transfer of ADM's assets under the Proposals should not give rise to a liability to UK taxation of chargeable gains for ADM.

**ADM Shareholders who hold, alone or together with persons connected with them, more than 5 per cent. of any class of ADM Shares in issue are advised that clearance has not been requested from HMRC pursuant to section 138 of the UK Taxation of Chargeable Gains Act 1992 to the effect that section 137(1) of that Act will not apply to the exchange of ADM Shares for Shares under the Scheme. Accordingly any such ADM Shareholder who is resident or ordinarily resident in the United Kingdom should be aware that such an exchange will give rise to disposal of the ADM Shares for the purposes of taxation of chargeable gains.**

### *Liquidators' Indemnity*

In the event the Scheme is approved and implemented, the Company will enter into the Deed of Indemnity with the Liquidators. In the event of ADM creditor claims exceeding the Liquidation Fund to be retained by the Liquidators, the Company will be obliged to indemnify the Liquidators against such excess claims up to an aggregate maximum amount of £200,000. Any such claims under the terms of the Deed of Indemnity may have an adverse effect on the financial performance of the Company.

## EXPECTED TIMETABLE

Effective date for implementation of the Scheme and commencement of the liquidation of ADM*	9 November 2009
Dealings in ADM Shares suspended	7.30 a.m. on 9 November 2009
Issue and dealings commence in Ordinary Shares and Subscription Shares issued pursuant to the Scheme	10 November 2009
Ordinary Shares and Subscription Shares issued in uncertificated form under the Scheme credited to CREST accounts	10 November 2009
Latest date for despatch of definitive certificates in respect of Ordinary Shares and Subscription Shares issued in certificated form pursuant to the Scheme	24 November 2009

*\*if the Scheme becomes effective, it is expected that the listing of the ADM Shares will be cancelled not earlier than 10 November 2010.*

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

## IMPORTANT INFORMATION

### Forward-looking statements

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

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors discussed in the sections entitled “Risk Factors” on pages 7 to 15 of this document and “Part 1 – The Company”.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflects the Company’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company. 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 the Disclosure and Transparency Rules, the Company undertakes no obligation publicly to release the result of any revisions to any forward-looking statements in this document that may occur due to any change in the Company’s expectations or to reflect events or circumstances after the date of this document. For the avoidance of doubt, nothing in this paragraph constitutes a qualification of the working capital statement contained in paragraph 9 of Part 6 of this document.

It should be remembered that the price of securities and the income from them can go down as well as up.



## DIRECTORS, INVESTMENT MANAGER AND ADVISERS

<b>Directors</b>	Peter Edmund O'Connor ( <i>Chairman</i> ) Angus Richard Bonsor John Anthony Hawkins Richard Dunmore Napier Hotchkis Terence Francis Mahony  <i>All non-executive and all of:</i>
<b>Registered Office</b>	1 Le Marchant Street St. Peter Port Guernsey GY1 4HP (Tel +44 (0) 1481 726034)
<b>Investment Manager</b>	Progressive Developing Markets Limited 145-157 St. John Street London EC1V 4RU United Kingdom
<b>Financial Adviser, Broker and Sponsor</b>	Arbuthnot Securities Limited 20 Ropemaker Street London EC2Y 9AR United Kingdom
<b>Legal Adviser to the Company as to English law</b>	Lawrence Graham LLP 4 More London Riverside London SE1 2AU United Kingdom
<b>Legal Adviser to the Company as to Guernsey law</b>	Ozannes 1 Le Marchant Street St. Peter Port Guernsey GY1 4HP
<b>Administrator and Company Secretary</b>	Legis Fund Services Limited 1 Le Marchant Street St. Peter Port Guernsey GY1 4HP
<b>UK Administration Agent</b>	Cavendish Administration Limited 145-157 St. John Street London EC1V 4RU United Kingdom
<b>Auditor</b>	KPMG Channel Islands Limited PO Box 20 20 New Street St. Peter Port Guernsey GY1 4AN
<b>Custodian</b>	The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT United Kingdom

**Registrar**

Capita Registrars (Guernsey) Limited  
2nd Floor, No 1 Le Truchot  
St. Peter Port  
Guernsey GY1 4AE

**UK Transfer Agents**

Capita Registrars Limited  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
United Kingdom

**Principal Bankers**

Lloyds TSB Bank plc  
34 Moorgate  
London EC2R 6PL  
United Kingdom

## PART 1

### THE COMPANY

#### 1. THE COMPANY

On 25 September 2009 Advance Developing Markets Trust plc announced its intention to seek shareholder approval to a winding-up and scheme of reconstruction under Section 110 of the Insolvency Act 1986. Subject to approval of the Scheme holders of ADM Ordinary Shares and ADM Subscription Shares (as the case may be) will receive Ordinary Shares and Subscription Shares in the Company on a one-for-one basis for every ADM Ordinary Share or ADM Subscription Share held on the Record Date.

Upon the winding-up commencing, the Company, ADM and the Liquidators will enter into the Transfer Agreement under which all of the assets of ADM (other than those assets appropriated to the Liquidation Fund in accordance with the Scheme) will be transferred in specie to the Company (including the existing ADM investment portfolio) and the Company will issue Ordinary Shares and Subscription Shares to ADM Ordinary Shareholders and ADM Subscription Shareholders (as the case may be) pursuant to the Scheme.

The Company is a newly incorporated closed-ended Guernsey registered company, established to act as a successor vehicle to ADM and to pursue a similar investment objective and policy to ADM.

The Company's issued share capital will comprise Ordinary Shares and Subscription Shares. Application has been made for the Ordinary Shares and Subscription Shares to be admitted to the Official List and to be traded on the London Stock Exchange's main market for listed securities.

#### 2. INVESTMENT POLICY

##### *Objective*

The Company's investment objective is to achieve consistent returns for Shareholders in excess of the S&P/IFCI Emerging Markets Composite Index in Sterling terms (the "**Benchmark**").

##### *Asset allocation*

The Investment Manager invests in a portfolio of funds and products which give diversified exposure to emerging market economies and those of the Pacific Rim. The Investment Manager does not seek to replicate the Benchmark's geographical distribution. The Company's geographical asset allocation is derived from the Investment Manager's analysis of prospects for regions and countries and of the underlying opportunities for investment.

The Board does not believe that it should impose prescriptive limits on the Investment Manager for the geographical breakdown and distribution by type of fund as this could have a negative impact on the Company's performance and accordingly the Company does not have any prescribed investment limits in this regard.

The Investment Manager has discretion to enter into hedging mechanisms where it believes that this would protect the performance of the Company's investment portfolio in a cost effective manner.

##### *Risk diversification*

Individual investments are selected for their potential to outperform as a result of one or more of the following: the performance of the region, market or asset class in which they invest; the skill of the underlying fund manager; and, in the case of closed-end funds, through the narrowing of discounts at which their shares trade to net asset value.

No holding of the Company in any other company will represent, at the time of investment, more than 15 per cent. by value of the Company's net assets. The diversification within investee funds is taken into

account when deciding on the size of each investment so the Company's exposure to any one underlying company should never be excessive.

#### *Gearing*

The Company does not use gearing as a tool to enhance performance but short term borrowing is permitted to assist in the management of liquidity. However the Directors reserve the right to borrow up to a maximum of 15 per cent. of the Net Asset Value of the Company at the time of drawdown.

#### *Investment trends and outlook*

The volatility of emerging markets, and "risk assets" in general in the period between October 2007 and August 2009, was unprecedented in the recent history of financial markets. After such a rapid recovery the Directors and the Investment Manager would not be surprised if emerging markets retrace some of their recent gains.

Taking a longer term perspective, the Board and the Investment Manager believe that the emerging market story is as strong as it was before the crisis. Emerging markets are still demonstrating economic growth whereas the developed market economies have seen significant negative economic growth. The long term outlook remains positive, not just for the larger emerging markets of Brazil, Russia, India and China, but also for many smaller emerging and frontier markets.

From a top down level different markets are trading on diverse fundamentals which provides opportunities for active asset allocation by the Investment Manager and the underlying regional investment managers. The Investment Manager analyses markets and economies within a framework of quality, value, growth and change. Quality remains high, especially as far as sovereign and corporate balance sheets are concerned – emerging economies are still underleveraged compared with developed markets.

Real GDP growth across the emerging world is expected to be 1.4 per cent. in 2009, a level which far exceeds the 3.5 per cent. negative figure likely to be achieved in the developed world (Morgan Stanley: GEMs Market Monitor 3 August 2009). Furthermore, the Investment Manager continues to see positive progress in the economic evolution of investee countries. The Board and the Investment Manager believe the flow of funds to emerging markets will continue in the coming years.

From a bottom up level, the same applies; with active country specialists able to build portfolios that offer both attractive valuations and earnings growth. Consistent with the Company's investment philosophy and portfolio, those best placed to take advantage will be locally based investors with specific market knowledge and experience.

Despite the recent volatility in global markets, the Board believes the Investment Manager will utilise its proven research and management selection experience and expertise to deal with the challenges that lie ahead.

#### *Investment restrictions*

It is the Company's intention to observe the investment restrictions necessary to comply with the Listing Rules from time to time in force and details of the current investment restrictions to which the Company will be subject are set out in paragraph 13 of Part 6 of this document.

#### *Profile of typical investor*

Typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from their fund manager or broker regarding investment in the Ordinary Shares or Subscription Shares or who have sufficient experience to enable them to evaluate themselves the risks and merits of such investment.

### 3. DIVIDEND POLICY

The Directors reserve the right, but are not required, to provide returns to Shareholders by making dividend distributions. The Directors' intention is for the Company to retain its earnings to finance growth for the foreseeable future. The Ordinary Shares will rank in full for all dividends declared, made or paid.

The Subscription Shares will not carry any entitlement to dividends.

### 4. INVESTMENT MANAGER

The Company has appointed Progressive Developing Markets Limited to manage its investments. The Investment Manager is a dedicated manager of fund-of-fund products, having an established track record of over ten years of investing in global emerging markets. It was incorporated in 1996 and is authorised and regulated by the FSA. Since 1998, the Investment Manager has managed ADM (Bloomberg: ADD LN Equity). Since March 2005, the Investment Manager has managed the Advance Emerging Markets Fund, an open-ended investment company listed on the Dublin Stock Exchange (Bloomberg: ADVEMUA ID Equity) which utilises a similar fund-of-funds strategy. In addition, since June 2007 the Investment Manager has managed Advance Frontier Markets Fund Limited, a closed-ended investment company quoted on the AIM market of the London Stock Exchange (Bloomberg: AFMF LN Equity) which utilises a fund-of-fund strategy to invest in frontier markets.

The Existing Funds had combined total assets of approximately £344.5 million as at 31 August 2009 and carry Standard & Poors Fund Research "AA" ratings.

**Potential investors should note that the past performance of funds or assets managed by the Investment Manager is not necessarily indicative of the future performance of the Company.**

### 5. INVESTMENT PHILOSOPHY, STRATEGY AND PROCESS

The Investment Manager's investment philosophy is that the high degree of diversity seen across markets creates opportunities that are best exploited by specialist fund managers investing in specific regions, countries or sectors. By using a fund-of-funds approach to investment, the Investment Manager believes it can access such specialist investment talent, ideas and themes within this asset class.

The strategy employed by the Investment Manager will be similar to that applied in relation to the Existing Funds and consists of three core components: Investee Manager selection, geographical asset allocation and participation in special situations.

#### *Investee Manager selection*

The Investment Manager aims to identify funds and Investee Managers which it considers are likely to deliver consistent capital growth over the long term. The Investment Manager believes that qualitative aspects of a fund are the strongest indicators of the prospects for future performance. The Investment Manager has, over the past eleven years, gained substantial experience in the appraisal and selection of Investee Managers. The Investment Manager also has the benefit of a global network of contacts in the fund industry.

#### *Qualitative analysis*

The Investment Manager places importance on interviewing managers in person and on establishing detailed understanding of the process employed, style, motivations and personal strengths and weaknesses of potential Investee Managers. Meetings with Investee Managers are conducted at least bi-annually, usually face-to-face, with the lead fund manager for the relevant vehicle. The Investment Manager aims to meet Investee Managers in their own offices whenever possible. In excess of 330 meetings were conducted in 2008. Comprehensive meeting notes and internally developed due diligence templates are used to document initial and follow-up meetings.

The Investment Manager considers the following characteristics to be of importance:

- Investee Managers – the Investee Managers of the fund will; be experienced in the markets in which they invest, have key personnel who are incentivised to perform through ownership or performance related pay, be accessible, manage a reasonable amount of money and allow key personnel to have freedom to apply their own style but with effective support to control “key man” risk.
- Process – the process will be clear and logical, not unduly complicated, appropriate for the markets in question, include active risk controls, afford the manager a degree of flexibility and have demonstrated durability over time.
- Corporate governance – the fund management group and product will be suitably structured, regulated by appropriate local authorities, offer transparency and accessibility to shareholders and maintain contact with investors and prospective investors.
- Fund characteristics – the fund’s objectives will be defined, followed by the Investee Manager and will be consistent with the Company’s own investment objective and policy. The fund’s investment universe will be manageable and of a reasonable size. The fund’s management fee will be commensurate with the work undertaken and any performance fees will be calculated in a manner that aligns the interests of Investee Managers with those of investors.
- Management company – the management company will be of critical mass, but not so large as to cause internal politics and inefficiencies that may detract from the ability of prospective Investee Managers to run their funds effectively. The effect of material changes within the management company will be considered.

#### *Quantitative Analysis*

Detailed statistical analysis relying on proprietary and third party databases is used to support qualitative findings on known products and to identify potential investment opportunities. The Investment Manager will consider the consistency and quality of returns relative to a fund’s peers, the sources of any outperformance and whether the Investee Manager’s objectives are consistent with the Company’s own objective. Particular focus is given to the following details:

- Performance history – the Investee Manager will usually have a track record that demonstrates an ability to generate capital growth, either consistently, or under certain market conditions. The length of the record and material changes to the fund or management during the period will be taken into consideration. Attribution analysis will be used to identify the timing, source and consistency of value added by an Investee Manager.
- Return characteristics – the Investee Manager should exhibit consistency of returns over discrete time periods, or under specific market conditions, without adopting excessive levels of risk. Volatility should also be managed within reasonable limits.
- Fund characteristics – the Investee Manager will have sufficient capacity and liquidity in the underlying strategy to enable timely subscriptions and redemptions. In the case of closed-ended funds, liquidity in the fund’s shares should be sufficient to allow a complete entry and exit to be effected over a reasonable time period.

#### *Geographical asset allocation*

The Investment Manager will take a long-term view on asset allocation and, where a high degree of conviction exists, may position the portfolio aggressively. Investee Managers have a key role to play as they will typically have extensive experience of investing in their respective markets. They will have dedicated resources at their disposal used in the collection and analysis of market information on which they base investment decisions and hence their own asset allocation. The Investment Manager will use its regular contact and good relationships with Investee Managers to benefit from the Investee Manager’s experience and knowledge when determining the Company’s asset allocation.

The Investment Manager’s internal view on market prospects will be used to validate and challenge the views expressed by Investee Managers, who may be focused on a single market or region. The Investment Manager aims to identify those markets within its investment universe that offer the most attractive combinations of quality, value, growth and change. This helps to temper market bias

amongst Investee Managers and therefore, in the identification of the optimum balance of investments, on an inter and intra-regional basis.

The assimilation of these factors combined with the effect of bottom-up decisions relating to individual investment opportunities will determine the actual geographical split of the Company's funds at any one point in time.

#### *Special situations*

The Investment Manager will seek to identify pricing anomalies in investment products and use such opportunities to add value to the Company's portfolio. Normally, this will involve investing in closed-ended funds that are available for purchase at a discount to their net asset value. Discounts usually arise as a result of imbalances in supply and demand for the shares of a fund. Once an anomaly has been identified, the Investment Manager will use the following process to analyse the opportunity:

- Identify problem – the Investment Manager will first determine the cause of the discount, which could be a result of imbalances in supply and demand, irregular liquidity, sustained poor performance or questionable corporate governance.
- Estimate potential uplift and time horizon – once the Investment Manager understands the cause of the discount, the net effect of performance of the underlying fund and the effect of any discount narrowing during the forecast holding period will be analysed to determine the potential uplift within such period.
- Identify possible solutions – the Investment Manager will then determine the possible solutions available that could reduce the discount, such as the use of share buybacks, tender offers, discount control mechanisms, removal of manager, replacement of the board, merger, reconstruction, change of remit, or renewed marketing efforts.
- Identify barriers/catalysts – the Investment Manager will then determine whether there are any barriers to implementing the solution or particular catalysts which would accelerate the realisation of value. This may include a friendly or hostile shareholder register, board members who are constructive, inactive or non-independent or pre-defined reconstruction provisions including continuation votes and tender offers.
- Define a strategy to achieve uplift – once the barriers or catalysts are understood, the Investment Manager will devise an investment strategy, which may include directly approaching the board of directors or management or mobilising other shareholders.

The Investment Manager will then implement this strategy to realise value from the special situation. The Investment Manager has more than ten years experience of investing in special situations.

## **6. ADM PERFORMANCE AND DETAILS OF PORTFOLIO**

ADM's record for the three financial years ended 31 May 2009 is set out below. This information has been extracted without material adjustment from the accounts of ADM for the three financial years ended 31 May 2009:

	<i>As at or for the year ended 31 May</i>		
	<i>2007</i>	<i>2008</i>	<i>2009</i>
NAV per ADM Ordinary Share (p)	429.1	505.4	368.9 <sup>(1)</sup>
ADM Ordinary Share price (p)	388.6	469.5	322.1
Dividend per ADM Ordinary Share (p)	1.3 <sup>(2)</sup>	None <sup>(2)</sup>	1.0 <sup>(3)</sup>

(1) Undiluted. The diluted net asset value per ADM Ordinary Share as at 31 May 2009 was 355.9p.

(2) The dividends shown are those that were proposed and paid in respect of each financial period.

(3) Recommended dividend for the year ended 31 May 2009.

ADM was launched in June 1998 with net assets at that time of £78.6 million or 98.3p per ADM Ordinary Share. As at 30 September 2009, being the latest practicable date prior to the publication of this document, net assets (unaudited) stood at 438.4 pence per ADM Ordinary Share.

The table below shows the capital returns (net asset value) generated by ADM from inception to 31 August 2009:

	<i>Advance Developing Markets Trust Plc undiluted net asset value %</i>	<i>Excess return over Benchmark %</i>
19.06.1998 to 31.12.1999	58.2	9.8
Year to 31.12.2000	(19.7)	7.5
Year to 31.12.2001	4.0	2.4
Year to 31.12.2002	(10.1)	4.9
Year to 31.12.2003	48.4	11.0
Year to 31.12.2004	16.6	0.7
Year to 31.12.2005	52.8	7.2
Year to 31.12.2006	20.3	4.4
Year to 31.12.2007	38.2	2.8
Year to 31.12.2008	(42.3)	(3.4)
Period to 31 August 2009	33.8	(0.9)
Cumulative since inception	303.0	123.3

Source: PDML

Benchmark: S&P/IFCI Emerging Markets Composite Index in Sterling terms

Under the terms of the Scheme the Company's portfolio on launch will consist of ADM's assets at the Effective Date after providing for its liabilities (including contingent liabilities and the costs incurred by ADM in relation to the Proposals).

Details of ADM's largest investments and the geographical and sectoral distribution of ADM's investments are set out below.

As at 31 August 2009, details of the Company's largest 20 investments were as follows:

<i>Company and description</i>	<i> Holding</i>	<i> Book cost</i>	<i> Current</i>	<i> % of</i>
	<i> £'000</i>	<i> £'000</i>	<i> value</i>	<i> portfolio</i>
			<i> £'000</i>	
Atlantis China Fund	4,903,325	8,611	19,195	7.36%
Blackrock Latin American IT	3,332,820	6,525	16,198	6.21%
iShares MSCI Brazil Index Fund	472,440	12,182	13,423	5.15%
Edinburgh Dragon IT	7,327,500	11,429	12,208	4.68%
Taiwan Fund Inc	1,543,688	10,392	11,458	4.39%
Henderson TR Pacific IT	7,545,100	7,656	10,488	4.02%
Latin America Equity Fund	513,230	5,133	9,699	3.72%
JPMorgan Fleming Russian Securities IT	2,778,305	21,852	9,585	3.68%
Lazard Emerging World Fund	712,883	2,936	8,950	3.43%
Coronation Top 20 Fund	1,802,210	4,137	8,353	3.20%
<b>Top ten holdings</b>		<b>90,853</b>	<b>119,557</b>	<b>45.8%</b>
Baring Emerging Europe IT	1,259,894	5,961	7,774	2.98%
JPMorgan Emerging Markets IT	1,725,000	5,507	7,154	2.74%
Baring Korea Trust	3,819,196	7,081	6,764	2.59%
India Capital Fund	612,209	4,494	6,487	2.49%
China Fund Inc	459,504	5,129	6,212	2.38%
Fidelity Funds – Korea Fund	661,084	5,919	5,905	2.26%
EMM Latin American Small Cap Fund	569,884	4,381	5,501	2.11%
Henderson Horizon – China Fund	785,408	5,536	5,410	2.07%
EFG-Hermes MEDA Fund	360,877	5,656	5,047	1.99%
iShare MSCI Emerging Fund	234,375	4,488	4,784	1.83%
<b>Next ten holdings</b>		<b>54,152</b>	<b>61,038</b>	<b>23.4%</b>
<b>Top twenty holdings</b>		<b>145,005</b>	<b>180,595</b>	<b>69.2%</b>

Unaudited figures, extracted from the Company's latest valuation



As at 31 August 2009, the geographical allocation of the Company's assets were as follows:

<b>Asia</b>	
China	16.2%
India	5.8%
Indonesia	0.5%
Korea	8.0%
Malaysia	2.4%
Philippines	0.3%
Taiwan	6.7%
Thailand	0.5%
Hong Kong	2.7%
Singapore	2.5%
Other	3.9%
	49.5%
 <b>EMEA</b>	
Czech Rep	0.5%
Egypt	0.5%
Hungary	0.3%
Israel	0.1%
Morocco	0.0%
Poland	0.5%
Russia	8.4%
South Africa	3.7%
Turkey	1.4%
Other	5.4%
	20.8%
 <b>LATIN AMERICA</b>	
Argentina	0.1%
Brazil	21.4%
Chile	0.6%
Mexico	2.9%
Peru	0.2%
Other	0.7%
	26.0%
 <b>Cash &amp; Other Net Assets</b>	3.8%
	100%

Unaudited figures, extracted from the Company's latest valuation

As at the date of this document there has been no material change in the Company's investment portfolio information since 31 August 2009.

## **7. FURTHER ISSUES AND REISSUE OF TREASURY SHARES**

Under the terms of the Articles, the issue of further Ordinary Shares for cash (and/or the reissue of Ordinary Shares held in treasury) is subject to pre-emption rights in favour of existing Ordinary Shareholders which may be disapplied by Ordinary Shareholders by way of special resolution. These pre-emption rights will not apply to the allotment of Ordinary Shares pursuant to the Scheme.

Pursuant to a special resolution passed on 28 September 2009 the Directors will have authority following Admission to issue further Ordinary Shares (and/or reissue Ordinary Shares held in treasury from time to time) for cash up to an amount representing 5 per cent. of the issued Ordinary Share

capital immediately following Admission on a non-pre-emptive basis. This authority shall expire at the conclusion of the first annual general meeting of the Company.

The Company does not intend to issue any Subscription Shares otherwise than pursuant to the Scheme.

With the exception of Ordinary Shares issued pursuant to the Scheme, no further Ordinary Shares will be issued at a price below the Net Asset Value per Share, unless they are first offered pro-rata to existing holders of Ordinary Shares.

It is the intention of the Board that any re-sale of treasury shares would only take place at a narrower discount to the Diluted NAV per Share than that at which they were bought into treasury, and in any event at a discount no greater than 5 per cent. to the prevailing Diluted NAV per Share.

## **8. DISCOUNT MANAGEMENT AND REPURCHASE OF SHARES**

The Directors believe it is desirable that the Ordinary Shares do not trade at a significant discount to the Diluted NAV per Share. In structuring the Company, the Directors have given consideration to the discount risk and how this may be managed.

Conditionally upon Admission, and at their sole discretion, the Directors have been granted authority to buy back up to 14.99 per cent. of the Ordinary Shares in issue following Admission. The Company's authority to make purchases of its own issued Ordinary Shares will expire at the conclusion of the annual general meeting of the Company to be held in 2010 or, if earlier, eighteen months from the date of passing of the relevant Shareholders' resolution, namely 28 March 2011. A renewal of the authority to make purchases of Ordinary Shares will be sought from Shareholders at each annual general meeting of the Company. The timing of any purchases will be decided by the Board. Any Ordinary Shares bought back by the Company will either be held in treasury (and may be reissued) or cancelled.

The Directors intend that purchases will only be made, pursuant to this authority, through the market, for cash, at prices below the prevailing Diluted NAV per Share where the Directors believe such purchases will result in an increase in the Diluted NAV per Share of the remaining Ordinary Shares and to assist in narrowing any discount to the Diluted NAV per Share at which such Ordinary Shares may trade. Such purchases will only be made in accordance with the Companies Law and the Listing Rules. The Listing Rules currently provide that the maximum price to be paid per Ordinary Share is the higher of (i) 105 per cent. of the average of the market closing value of the Ordinary Shares for the five Business Days immediately preceding the date of the relevant purchase; (ii) the price of the last independent trade; and (iii) the highest current independent bid on the trading venues where the purchase is carried out.

In addition, under the Articles, the Company has the right to purchase Subscription Shares in the market, by tender or by private treaty but such purchases will be limited to a maximum price per Subscription Share which, in the case of purchases through the market, will not exceed 5 per cent. above the average of the middle market closing quotations for the ten consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and if such purchases are by tender, such tender will be available to all holders of Subscription Shares alike. All Subscription Shares purchased will be cancelled and will not be available for re-issue or resale.

## **9. LIFE OF THE COMPANY**

The Company does not have a fixed life and is intended as a long-term investment vehicle. However, the Directors consider it desirable that Shareholders should have the opportunity to review the future of the Company at appropriate intervals. At the Company's annual general meeting first following the fifth anniversary of Admission, and at every fifth annual general meeting thereafter, the Directors undertake to propose an ordinary resolution that the Company continue in existence. If the resolution is not passed then within 4 months of the vote to continue failing the Directors shall formulate and put to Shareholders proposals relating to the future of the Company having had regard to, *inter alia*, prevailing market conditions and applicable regulations and legislation.

#### **10. DRAFT ALTERNATIVE INVESTMENT FUND MANAGERS DIRECTIVE**

As noted in the section headed “Risk Factors”, a draft European Directive on Alternative Investment Fund Managers has recently been published which may impact on the Company’s investment policy. When the impact of the Directive becomes known, the Directors will consider all options available to them with the objective of enabling the Company’s assets to be managed directly or indirectly in the manner currently intended.

## PART 2

### DIRECTORS, MANAGEMENT AND ADMINISTRATION

#### 1. THE DIRECTORS

The Directors of the Company, all of whom are non-executive will have overall responsibility for the Company's activities and the determination of the Company's investment policy.

The Directors are as follows:

***Peter O'Connor*** (*Chairman*). Aged 68.

Mr O'Connor was a director of GT Management PLC from 1974 until 1990, when he established Peter O'Connor & Associates. He is Deputy Chairman of FundQuest Inc, Chairman of Neo Material Technologies Inc and a director of other companies operating in the Asia Pacific region.

***Richard Bonsor***. Aged 62.

Mr Bonsor is a director of JO Hambro Investment Management Limited, which he joined in 1995, having been previously a director of SG Warburg Securities between 1986 and 1989 and a managing director of UBS East Asia Securities between 1992 and 1995.

***Terence Mahony***. Aged 66.

Mr Mahony is Chairman of Platinum Advisory Capital. Previously he was Chief Investment Officer for Indochina Capital Vietnam Holdings and prior to that a director of Investment Management Selection Limited. He was until 1999 Managing Director, Emerging Markets Equities, for the Trust Company of the West (TCW) and President of TCW Asia Limited and before this was Chief Investment Officer for Global Emerging Markets, HSBC Asset Management Limited.

***John Hawkins***. Aged 66.

Mr Hawkins is a fellow of the Institute of Chartered Accountants in England and Wales. He was formerly executive vice president and a member of the corporate office of The Bank of Bermuda Limited. He had been with The Bank of Bermuda for 25 years, of which approximately 15 years were based in Hong Kong. In 1994 he was appointed executive vice president with responsibility for the Asia Pacific region. In 1998 he was appointed executive vice president with responsibility for the global private client and investment business. The Bank of Bermuda was acquired by the HSBC Group in February 2004. He is also a director of a range of funds, which include hedge funds, funds of hedge funds and other listed investment companies.

***Richard Hotchkis***. Aged 59.

Mr Hotchkis has over 30 years' investment experience. Until October 2006, he was an investment manager at the Co-operative Insurance Society, where he started his career in 1976. Richard has wide experience of equity investment in both the UK and overseas and also of the externally managed funds industry, including investment trusts and other closed ended funds, offshore funds and hedge funds.

The Listing Rules currently require, amongst other things, that the Chairman and the majority of the Board of the Company are not chairman and directors of another investment company managed by the Investment Manager. At the date of this document Peter O'Connor, Richard Bonsor and Terence Mahony are also directors of ADM and Richard Hotchkis is a director of Advance Frontier Markets Fund Limited each of which are investment companies managed by Progressive Developing Markets Limited. Following the commencement of the liquidation of ADM pursuant to the Scheme, however, it is intended that Peter O'Connor, Richard Bonsor and Terence Mahony will resign as directors of ADM and will at the date of Admission be deemed to be independent of the Investment Manager and its affiliated companies for the purposes of the Listing Rules and the AIC Code.

At the date of Admission, therefore, the Chairman and the majority of the Board of the Company will be deemed to be independent of the Investment Manager and its affiliated companies for the purposes of the Listing Rules and the AIC Code.

The Listing Rules also require, amongst other things, that Directors of the Company who are also directors of another investment company or fund managed by the Investment Manager must be subject to annual re-election by the Company's Shareholders. Richard Hotchkis will therefore be subject to annual re-election at the Company's annual general meeting.

## 2. THE INVESTMENT MANAGER

The Board is responsible for the determination of the Company's investment policy and has overall responsibility for the Company's day-to-day activities. The Company has, however, entered into the Investment Management Agreement with the Investment Manager under which the Investment Manager has been appointed with responsibility for the discretionary management of the Company's portfolio and the provision of various management services to it, subject to the overriding supervision of the Board. Further details of the Investment Management Agreement are summarised in paragraph 8.1 of Part 6 of this document.

The Investment Manager was incorporated in 1996 and is authorised and regulated by the FSA. The Investment Manager has managed specialist emerging market fund-of-fund portfolios since 1998. The assets under its management are predominantly managed on behalf of an institutional client base, both UK and overseas, including pension funds, insurance companies, family offices, charities and private client investment managers.

Rassmal Investments LLC, an investment holding company based in Dubai, has acquired the entire share capital of the Investment Manager with effect from 30 September 2009. The investment management team of the Investment Manager remains unchanged and the Investment Manager will continue to be supported by Cavendish Administration Limited with regard to administrative, secretarial, compliance and information technology matters. The Investment Manager will, for the time being, continue to trade under the name "Progressive Developing Markets Limited." The Board was consulted during this process and has every confidence that the Investment Manager will continue to manage the Company's assets for the benefit of Shareholders as before.

The individuals at the Investment Manager who will, initially, be involved with the management of the Company's assets are as follows:

**Nigel Wilson**, *Executive Chairman*, is co-head of the Investment Manager's emerging markets team. He has been responsible for the management of ADM since its inception in June 1998. Between 1992 and 1997, he was the Chief Investment Officer and Head of the Investment Unit at the Bank of England with responsibility for £5.25 billion of assets under management. In that capacity he was responsible for asset allocation, portfolio strategy and management of funds, including staff pension funds. He has over thirty five years experience in investment management, eighteen of those in emerging markets. Nigel has a BA in History from Oxford University.

**Dr. Slim Feriani**, *Managing Director*, is co-head of the Investment Manager's emerging markets team. He joined the Investment Manager in February 2005 from Martin Currie Investment Management Limited, where he was a Director and Senior Portfolio Manager for the long only global emerging markets portfolios and hedge fund products in Asia and global emerging markets. Before that he worked as a senior investment analyst on the Middle East and North Africa region at Nomura International in London. Slim completed an MBA in Finance and Investments in 1989 and a PhD on the same subject in 1995, both at The George Washington University where, between 1989 and 1996 he taught as Professor of Finance and International Finance. He is fluent in French and Arabic.

**Christopher Brader**, *Director*, has over thirty five years of investment experience in emerging markets with fifteen of those spent working in investment funds. He joined the Investment Manager in 2002 and is responsible for Asian investments and macro coverage. He previously held positions at CrossBorder Capital Limited, SG Securities Limited and ING Barings Securities Limited. At ING Barings he ran the emerging markets closed-ended fund team, encompassing research, sales, trading and corporate finance functions. Prior to that he spent ten years at Cazenove & Co. in Hong Kong and Japan.

**Bernard Moody**, *Investment Director*, joined the Investment Manager in August 2006. Prior to this he was at Sarasin Investment Management, where he managed Asian and emerging market portfolios worth over \$1 billion; two of the funds for which he was responsible carried 'A' ratings from S&P Fund Research. Between 1997 and 1999 he worked in the Investment Management Research Unit at the actuarial consultants Bacon & Woodrow. Bernard graduated from University College Dublin with a BComm specialising in Banking and Finance before gaining an MSc in Finance from the Queen's University of Belfast.

**Andrew Lister**, *Senior Investment Manager*, joined the Investment Manager in 2000 as an Investment Assistant with responsibility for fund analysis and performance attribution. He moved into a fund management role in October 2003 and is now responsible for South Africa, Sub Saharan Africa and the Latin American region. He completed the Investment Management Certificate in February 2001 and qualified as a technical analyst in 2005. Andrew graduated from the University of Exeter with a BA in Geography.

**Viktor Broczko**, *Investment Analyst*, joined the Investment Manager as a Research Assistant early in 2002 and completed the Investment Management Certificate in July 2003. In October 2006, he became an Investment Analyst. He speaks fluent Hungarian, German and Russian. Viktor is responsible for monitoring the Middle East and Eastern European markets and investments. He holds a BA in Economics from Greenwich University and a MSc in Information Systems from the London School of Economics.

**Potential investors should note that the past performance of funds or assets managed by the Investment Manager or its key personnel is not necessarily indicative of the future performance of the Company.**

#### *Management and Performance Fees*

The Investment Manager's fee will consist of a basic fee and, if applicable, a performance fee.

The basic fee will be payable monthly in arrears (and pro rata for part of any month during which the Investment Management Agreement is in force). This monthly fee will be equivalent to one twelfth of one per cent. of the Company's Adjusted Market Capitalisation. The Investment Management Agreement defines the "Company's Adjusted Market Capitalisation" as the aggregate closing mid-market price of the Ordinary Shares on the last Business Day of the month or part of a month for which the basic fees is being calculated plus the aggregate amount, if any, paid by the Company in purchasing its own Ordinary Shares at a discount in the twelve month period ending on such Business Day.

The amount of any performance fee will be determined as follows:

$$P = \frac{(A - B) \times N}{10}$$

where:

P = the amount of the performance fee; and

A = NAV per Share at the end of the Relevant Period before the deduction of any performance fee; and

B = Benchmark NAV per Share; and

N = the number of Ordinary Shares in issue at the start of a Relevant Period excluding any Ordinary Shares held in treasury and adjusted for any Ordinary Shares to be issued as a result of Subscription Shares being exercised before such Relevant Period.

For the purpose of calculating the performance fee:

"Relevant Period"

(i) means the period from Admission to 31 October 2010 (the "Initial Period"), and (ii) thereafter each one year period ending on 31 October in each year, and, if less than one year, the final period for which the agreement subsists;

“Benchmark NAV per Share”	means Base NAV per Share increased or reduced by the percentage, if any, by which the Benchmark Index has increased or reduced, as the case may be, over the Relevant Period; and
“Base NAV per Share”	means (i) for the Initial Period, the Opening NAV per Share; and (ii) for each subsequent Relevant Period the NAV per Share at the commencement of business on the first Business Day of such Relevant Period adjusted for the number of Ordinary Shares to be issued during such Relevant Period pursuant to the exercise of Subscription Shares prior to the commencement of such Relevant Period.
“Opening NAV per Share”	means the NAV per Share on Admission.
“High Water Mark”	means the higher of (i) 505.2p (being the current high water mark of ADM) and (ii) the NAV per Share at the end of the latest Relevant Period in respect of which a performance fee was payable by the Company.

The Performance Fee will not be payable unless NAV per Share at the end of the Relevant Period is greater than the High Water Mark. Furthermore, the Performance Fee will not be payable to the extent (if any) that payment of the performance fee would reduce the NAV per Share at the end of the Relevant Period below the High Water Mark.

The performance fee (if any) payable for any Relevant Period will not exceed an amount equal to 2 per cent. of NAV at close of business on the final Business Day of the Relevant Period to which such fee relates.

The basic fees will be charged to revenue and performance fees, if any, will be charged to capital.

Further details of the Investment Management Agreement are set out in paragraph 8.1 of Part 6 of this document.

### **3. CORPORATE GOVERNANCE**

The Company intends to comply with the AIC Code to the extent appropriate for a Guernsey incorporated investment company. The AIC Code constitutes an interpretation of the Combined Code which has been specifically tailored for the structure and features of investment companies. The Financial Reporting Council has endorsed the AIC Code and confirmed that investment companies which comply with the AIC Code will be deemed to have fulfilled their obligations under the Listing Rules.

Each of the Directors has signed a letter of appointment to formalise in writing the terms of his appointment. Under the Articles one third of the Board is subject to retirement by rotation each year, such that all Directors are required to submit themselves for re-election at least every three years with the exception of Richard Hotchkis who will be subject to annual re-election in accordance with the Listing Rules, as he is also a director of another investment company managed by the Investment Manager. Directors who have served for nine years or more (including time served as directors of ADM) will be subject to annual re-election.

Mr O’Connor will be Chairman of the Company.

It is the intention of the Directors that the Company will join the AIC and will provide information for publication by the AIC.

In accordance with the AIC Code, the Board has established an audit committee, a nominations committee, a remuneration committee and a management engagement committee, in each case with formally delegated duties and responsibilities within written terms of reference.

#### *Audit committee*

The audit committee will be chaired by John Hawkins. The audit committee comprises all the Directors with the exception of the Chairman of the Company.

The committee will meet at least twice a year and will, *inter alia*, review the annual report, half yearly report, financial reporting process, the system of internal control and the management of financial risks. The committee will be responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The committee will consider the nature, scope and results of the auditor's work and reviews, and develop and implement policy on the supply of any non-audit services that are to be provided by the external auditors. It will receive and review reports from the Investment Manager and the Company's external auditors relating to the Company's annual report and accounts. The committee will focus on compliance with accounting standards, legal requirements and the relevant regulatory rules of the UK Listing Authority. The committee will ensure that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts will remain with the Board.

#### *Remuneration committee*

The remuneration committee is chaired by Richard Bonsor. All of the Directors are members of the remuneration committee. The committee will meet at least once a year and will have responsibility for considering the remuneration of the Directors. The committee will review the remuneration of the Chairman and Directors against the fees paid to directors of other investment companies of a similar nature and size to the Company, as well as taking account of any data published by the AIC.

#### *Management engagement committee*

The management engagement committee is chaired by Richard Bonsor. All of the Directors are members of the management engagement committee. The committee will meet at least once a year and will, *inter alia*, review the performance of, and fees paid to, the Investment Manager for the services provided under the Investment Management Agreement, together with the other terms of that agreement. It will also review the performance of, and fees paid to, the Administrator and UK Administration Agent.

#### *Nominations committee*

The nominations committee is chaired by the Chairman of the Company. All of the Directors are members of the nominations committee. The committee will meet as and when required and will have responsibility for considering the size, structure and composition of the Board. It will also consider the retirement and appointment of Board members and will make appropriate recommendations to the Board.

Following Admission, the terms of reference of the above committees will be made available on the Investment Manager's website.

#### *Conflicts of interest*

The Investment Manager and its affiliates serve as the investment manager to other clients. As a result, the Investment Manager (and its affiliates) may have conflicts of interest in allocating investments among the Company and their other clients and in effecting transactions between the Company and other clients, including ones in which the Investment Manager (and its affiliates) may have a greater financial interest. Where appropriate, the Investment Manager and its affiliates may give advice or take action with respect to such other clients that differs from the advice given with respect to the Company.

The Investment Manager and its affiliates may be involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, they may provide investment management, investment advice or other services in relation to a number of funds which may have similar investment policies to that of the Company or funds in which the Company invests.



The Investment Manager will have regard to its obligations under its agreement with the Company to act in the best interests of the Company, so far as it is practicable having regard to its obligations to other clients, when potential conflicts of interest arise. Regulatory requirements (including the COBS Rules) require the Investment Manager to adopt suitable policies to deal with conflicts of interest which may arise in order to ensure fair treatment for all its clients.

In particular, where the Investment Manager aggregates an order for the Company and another client in the securities of an investee fund, the Investment Manager will allocate the proceeds of the aggregated orders in accordance with the Investment Manager's order allocation policy adopted by the Investment Manager from time to time in accordance with the COBS Rules.

#### **4. ADMINISTRATOR AND SECRETARY**

Legis Fund Services Limited has been appointed as Administrator and Secretary to the Company pursuant to the Administration and Secretarial Agreement. In such capacity the Administrator will be responsible for the day-to-day administration for the Company including the calculation of the Company's NAV and undiluted and Diluted NAV per Share and general secretarial functions as required by the Companies Law.

Under the terms of the Administration and Secretarial Agreement, the Administrator is able to delegate duties to third parties approved by the Company. In this regard the Administrator has, with the approval of the Company, delegated certain of its administrative duties to Cavendish Administration Limited, a subsidiary of Progressive Asset Management Limited which provides administration and secretarial services to investment trusts and other investment funds.

The Administration and Secretarial Agreement is capable of being terminated by either the Administrator or the Company giving to the other 90 days' written notice. Further details of the Administration and Secretarial Agreement are set out in paragraph 8.2 of Part 6 of this document.

#### **5. CUSTODIAN**

The Northern Trust Company has been appointed as custodian to the Company. In such capacity the Custodian is responsible for providing custodial services to the Company.

The Custodian Agreement to be entered into on or around Admission will be capable of being terminated by either the Custodian or the Company giving to the other 30 days written notice. Further details of the Custodian Agreement are set out in paragraph 8.5 of Part 6 of this document.

#### **6. REGISTRAR AND UK TRANSFER AGENT**

Capita Registrars (Guernsey) Limited has been appointed as registrar and transfer agent to the Company pursuant to the Registrar Agreement. In such capacity, the Registrar will maintain the register of Shareholders, process all Share transfers and calculate and effect payment of dividends to Shareholders. With the consent of the Company, the Registrar has retained Capita IRG Plc as the Company's UK transfer agent to receive notices and documents of transfer from Shareholders in the United Kingdom for onward transmission to the Registrar.

A summary of the main provisions of the Registrar Agreement is set out in paragraph 8.3 of Part 6 of this document.

## PART 3

### THE SCHEME AND CAPITAL STRUCTURE

#### 1. The Scheme

##### *Structure*

On 25 September 2009 ADM announced its intention to seek shareholder approval to a winding-up and scheme of reconstruction under Section 110 of the Insolvency Act 1986. Under the Scheme, if approved, holders of ADM Ordinary Shares and ADM Subscription Shares will receive Ordinary Shares and/or Subscription Shares respectively in the Company on a one-for-one basis.

The Scheme Circular has been sent to shareholders of ADM and contains notices convening a class meeting of the holders of ADM Ordinary Shares to be held on 29 October 2009, to sanction any variation, modification, alteration or abrogation of the special rights attaching to the ADM Ordinary Shares effected by the approval and implementation of the Proposals. Subject to the passing of the resolution at this class meeting a general meeting of ADM will be held on 29 October 2009 (the "First GM") at which a resolution will be proposed to approve the Scheme. There is no assurance that the shareholders of ADM will approve the Scheme in its current form or at all. In the event that the Scheme is not approved at the First GM, ADM will continue as currently constituted and the Company will not issue any Shares pursuant to the Scheme. In the event that the resolution at the First GM is passed ADM has convened a second general meeting to be held on 9 November 2009 (the "Second GM") at which a resolution will be proposed to appoint the Liquidators and commence the winding-up of the Company.

In the event that the Scheme is approved and implemented at the Second GM the Liquidators and the Company will enter into the Transfer Agreement under which all of the then assets of ADM (other than those assets appropriated to the Liquidation Fund in accordance with the Scheme) (as at 30 September 2009 the aggregate net asset value of ADM was £285.4 million), will be transferred to the Company in return for the allotment to the ADM Shareholders of Ordinary Shares and Subscription Shares, as the case may be. Under current proposals any Shares to be allotted pursuant to the Scheme would be admitted to the Official List and commence dealing on the London Stock Exchange on 10 November 2009. In addition, the Company will enter into the Deed of Indemnity with the Liquidators. In the event of ADM creditor claims exceeding the Liquidation Fund to be retained by the Liquidators, the Company will be obliged to indemnify the Liquidators against such excess claims up to an aggregate maximum amount of £200,000.

##### *Potential Shares to be allotted under the Scheme*

###### *Ordinary Shares*

Under the Scheme, holders of ADM Ordinary Shares will receive one Ordinary Share for each ADM Ordinary Share held on the Record Date.

As at 30 September 2009 (being the latest practicable date prior to the publication of this document) 65,100,837 Ordinary Shares would be allotted under the Scheme.

###### *Subscription Shares*

Under the Scheme, holders of ADM Subscription Shares will receive one Subscription Share for each ADM Subscription Share held on the Record Date.

As at 30 September 2009 (being the latest practicable date prior to the publication of this document) 13,020,167 Subscription Shares would be allotted under the Scheme.

Application will be made for the Ordinary Shares and Subscription Shares to be admitted to the Official List of the UK Listing Authority and to trading on the main market of the London Stock Exchange's main market for listed securities.

## **2. Capital Structure**

As noted above the authorised share capital of the Company is represented by an unlimited number of Shares and, in the event the Scheme is implemented, the issued share capital will comprise Ordinary Shares and Subscription Shares.

### ***Rights of Ordinary Shares and Subscription Shares***

Further details of the rights attaching to the Ordinary Shares and the Subscription Shares are set out in section 4 of Part 6 of this document.

## PART 4

### FINANCIAL AND OTHER INFORMATION

#### 1. FEES AND EXPENSES

##### *Formation and Initial Expenses*

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company and Admission. These expenses will be met by the Company and paid on or around Admission. Such expenses will be written off upon Admission and will include registration fees, Admission fees, printing costs, legal fees, any other applicable expenses and fees payable. In aggregate, the costs and expenses of Admission are expected to amount to approximately £0.9 million (including UK stamp duty on the assets transferred to the Company pursuant to the Scheme estimated to amount to £0.5 million (based on the value of the Company's assets held at 30 September 2009 which are subject to UK stamp duty)). These expenses, which do not include any expenses of the Scheme payable by ADM, will be paid by the Company and borne by Shareholders.

The expenses of the Scheme, to be borne by ADM (including taxation), are expected to amount to approximately £1.6 million (exclusive of VAT). For the purposes of the estimate of costs of the Scheme, the estimated deferred tax charge on the crystallisation of unrealised gains on ADM's investment in non-distributing funds has been calculated on the basis of ADM's assets held at 31 August 2009 as £1.3 million. The figure assumes full utilisation of ADM's carried forward excess management expenses at that time and is subject to change (both up and down) as a result of realisations since 31 August 2009 and market movements up to the time of the commencement of ADM's liquidation. The Liquidators will establish the Liquidation Fund to cover additional or contingent liabilities.

##### *Ongoing and Annual Expenses*

###### *Investment Manager*

The annual management fee and performance fee payable to the Investment Manager are summarised in paragraph 2 of Part 2 of this document.

Further details of the Investment Management Agreement are set out in paragraph 8.1 of Part 6 of this document.

###### *Administrator and Secretary*

Under the terms of the Administration and Secretarial Agreement, Legis Fund Services Limited is entitled to receive a fee of £30,000 per annum, plus an amount equal to the fees payable to the UK Administration Agent as described below.

From these fees, the Administrator will pay any amounts due to the UK Administration Agent to whom it has delegated certain of its duties.

###### *UK Administration Agent*

Under an agreement dated 30 September 2009 between the Administrator and the UK Administration Agent, the UK Administration Agent has agreed, subject to Admission, to provide administration services in the United Kingdom including the calculation of undiluted and Diluted NAV per Share. The UK Administration Agent will receive from the Administrator a monthly fee equal to one twelfth of 0.1 per cent. of Net Asset Value, subject to a maximum administration fee of £100,000 per annum. On each anniversary of Admission, the maximum fee will be increased by the change in the UK Retail Price Index (all items) over the preceding 12 months. The UK Administration Agent and the Investment Manager are related through common directors and are both subsidiaries of Progressive Asset Management Limited.

### *Registrar*

Under the terms of the Registrar Agreement, the Registrar will provide registrar services, including arranging the settlement of transactions in the securities of the Company and maintaining the registers of Shareholders. The Registrar is entitled to a fee of £2 per Shareholder per annum subject to a minimum annual fee of £7,500 together with other agreed transaction fees.

### *Custodian*

Under the Custodian Agreement, the Custodian will be entitled to annual fees comprising an account fee of £2,500 per account per annum, principal/income split of £1,250 per account per annum and single line items (unit trust) reporting of £500 per line per annum. The Custodian will also be entitled to asset based fees equal to between 1.00 basis points and 40.00 basis points depending on the jurisdiction involved. Transaction based fees will also be payable of between £10 and £125 per transaction.

### *Directors*

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. The initial fees will be at the rate of £16,500 for each Director per annum (with the exception of the Chairman who will be entitled to £27,500 per annum and the chairman of the audit committee who will be entitled to £22,000) and will be payable from Admission, giving an aggregate of £99,000. The Directors will also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.

## **2. FINANCIAL REPORTING AND INFORMATION**

### *Net Asset Value*

The NAV per Share and, if different, Diluted NAV per Share expressed in pounds sterling, will be calculated by the UK Administration Agent and will be published weekly through a Regulatory Information Service. The NAV per Share will be calculated by dividing the Net Asset Value on the relevant date by the total number of Ordinary Shares in issue on that date (other than Ordinary Shares held in treasury). The Diluted NAV per Share will be calculated by dividing the Net Asset Value on the relevant date by the total number of Ordinary Shares in issue on that date (other than Ordinary Shares held in treasury) adjusted to take into account the dilution (if any) which would arise from the exercise of the subscription rights attaching to all the Subscription Shares then in issue.

The gross asset value of the Company will be calculated by aggregating the value of the investments owned or unconditionally and irrevocably contracted for by the Company with the value of all of the other assets of the Company. The Net Asset Value will be calculated by deducting from the gross asset value, the liabilities of the Company.

The Net Asset Value will be calculated in accordance with the following policies:

- investments quoted or dealt on recognised stock exchanges will be valued by reference to their market bid prices (as derived from Bloomberg or, if no such price is available from Bloomberg, from a comparable system);
- investments which are not quoted or dealt on a recognised stock exchange or which are normally quoted or dealt on a recognised stock exchange but in respect of which no price is currently available shall be valued at the probable realisation value thereof. Where appropriate, the average of the latest broker mid-price quotations sourced via contributor pages (as derived from Bloomberg or, if not such price is available from Bloomberg, from a comparable system) or cost price will be used;
- investments in open-ended funds will be valued at the latest net asset value provided by the open-ended fund for single priced funds or the latest bid price for those funds with a bid-offer spread;
- investments which are in liquidation will be valued at the estimate of their remaining realisable value;
- all derivatives, forwards or other option contracts on quoted securities will be valued at estimated realisable value;

- the value of all other assets of the Company and all the liabilities of the Company will be calculated as being their fair value as determined by the Directors in their reasonable discretion;
- provision will be made for any performance fees which would have become payable to the Investment Manager had all the Company's net assets been distributed to Shareholders at the date of the Net Asset Value calculation;
- values expressed in a currency other than the pounds sterling will be translated into pounds sterling at the average of the last available buying and selling price quoted on the New York market (as derived from Bloomberg or, if no such price is available from Bloomberg, from a comparable system) for such currency; and
- at the reasonable discretion of the Directors, if the methods above are not available or an alternate method is considered to be a more accurate reflection of the fair value of any asset or liability, the Directors of the Company may in their reasonable discretion permit such an alternative method of valuation to be used to calculate Net Asset Value.

No person shall be under any liability by reason of the fact that a valuation believed to be the appropriate valuation for any investment may be found subsequently not to be such.

The preparation of valuations may be suspended in circumstances where the underlying data necessary to value the investments of the Company 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 Company will be prepared in pounds Sterling under International Financial Reporting Standards, which the Directors believe is an acceptable body of generally accepted accounting practice. Under International Financial Reporting Standards, the Company will prepare an income statement and a statement of changes in equity, which will disclose revenue and capital results, including net investment gains.

Management fees, finance costs and other running expenses of the Company will be charged to revenue with the exception of the performance fee which is payable by reference to the capital performance of the Company and will therefore be charged to capital. Any expenses incidental to the purchase or sale of investments are usually considered to be of a capital nature and as such will be allocated to capital.

#### *Reports and Accounts*

The annual accounts of the Company will be made up to 31 October in each year starting in 2010, with copies of the annual report and accounts expected to be sent to Shareholders in February 2011. It is intended that the annual general meetings of the Company will be held in March or April of each year, the first to be held in March or April 2011. Shareholders will also receive an unaudited half yearly report covering the first six months of each financial year to 30 April. The half yearly report is expected to be sent to Shareholders in July of each year. The first half yearly report will be for the period ending 30 April 2010.

### **3. MEETINGS**

It is intended that all general meetings of the Company will be held in Guernsey. The Company will hold an annual general meeting each year.

### **4. TAXATION**

It is intended that the Company will be managed in such a way as to ensure that it is only resident in Guernsey for tax purposes. Potential investors are referred to Part 5 of this document for details regarding the taxation of the Company 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.**

## **5. ISAS, SIPPS AND SSAS**

Insofar as is possible, the Directors intend to manage the affairs of the Company so that the Shares will be qualifying investments for the purposes of ISAs. Accordingly, the Ordinary Shares and Subscription Shares will be eligible for inclusion in the stocks and shares component of an ISA, subject to applicable subscription limits, and provided that the ISA manager is issued the Ordinary Shares and/or Subscription Shares under the Scheme or acquires them through the secondary market following Admission. The Directors also intend that the Shares will qualify as an investment that may be held in a SIPP or SSAS.

## **6. RISK FACTORS**

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

## **7. FURTHER INFORMATION**

The attention of investors is drawn to the information contained in Part 6 of this document which provide additional information in relation to the Company.

## **8. SETTLEMENT, DEALINGS AND CREST**

Dealings in the ADM Shares are expected to be suspended at 7.30 a.m. on 9 November 2009. If the Scheme becomes effective, it is expected that the listing of the ADM Shares will be cancelled not earlier than 10 November 2010.

Application has been made for the Ordinary Shares and Subscription Shares to be admitted to the Official List and to trading on the London Stock Exchange. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares and Subscription Shares will commence on 10 November 2009. Dealings in Ordinary Shares and Subscription Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned.

Ordinary Shares and Subscription Shares will be issued in both certificated and uncertificated form. Shares held in uncertificated form will be settled through CREST. Investors should be aware that Ordinary Shares and Subscription Shares delivered in certificated form are likely to incur, on an on-going basis, higher dealing costs than those Ordinary Shares and Subscription Shares held through CREST. Ordinary Shares and Subscription Shares initially issued in certificated form may subsequently be deposited into CREST in accordance with normal CREST procedures. Certificates in respect of Ordinary Shares and Subscription Shares issued in certificated form pursuant to the Scheme are expected to be despatched by 24 November 2009. Temporary documents of title will not be issued pending the delivery of certificates and during that period transfers will be certified against the Register.

The ISIN number and SEDOL code for the Ordinary Shares are GG00B45L2K95 and B45L2K9 respectively.

The ISIN number and SEDOL code for the Subscription Shares are GG00B462HH36 and B462HH3 respectively.

**PART 5**  
**TAXATION**

**The comments below are of a general nature based on the Company's understanding of the current law and practice of the revenue authorities in Guernsey and in the United Kingdom and relate only to investors who are the beneficial owners of Shares. In particular, they do not address the position of certain classes of investors, such as dealers. These comments are not exhaustive and do not constitute legal or tax advice.**

**Potential investors should consult their own professional advisers as to the tax consequences of acquiring, holding and disposing of Shares.**

**Guernsey Taxation**

*The Company*

The Company has applied to be registered in Guernsey as an exempt company and is not liable to Guernsey income tax. A fee, currently £600 per annum, is payable to the States of Guernsey (the Government) in respect of the Company's exempt status and an application for exempt status must be submitted annually to the Guernsey Income Tax Office. It is a condition of the exemption that no investment or other property situated in Guernsey, other than a relevant bank deposit or an interest in another body to which an exemption from tax has been granted, is acquired or held. The Company's exempt status will obviate the need for the Company to make withholdings in respect of distributions and deemed distributions to Guernsey resident Shareholders.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration. Document duty is payable, up to a maximum of £5,000 in the lifetime of a company incorporated in Guernsey, on the creation or increase of authorised share capital, at the rate of 0.5 per cent. of the amount of the authorised share capital of that company. No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of shares.

*Shareholders*

Guernsey does not levy capital gains tax (with the exception of a dwellings profit tax) and, therefore, neither the Company nor any of its shareholders will suffer any tax in Guernsey on capital gains. Payments made by the Company to non-Guernsey resident shareholders, whether made during the life of the Company or by distribution on the liquidation of the Company, will not be subject to Guernsey tax.

Whilst the Company is no longer required to deduct Guernsey income tax from dividends paid to Guernsey residents, the Company is required to make a return to the Guernsey Administrator of Income Tax of the names, addresses and gross amounts of distributions and certain deemed distributions paid to Guernsey resident shareholders.

Holders of Shares not resident in Guernsey will not be subject to Guernsey tax on the redemption or disposal of their holding of Shares.

Guernsey has implemented measures equivalent to those of the European Union (EU) Directive on the Taxation of Savings Income. In accordance with these measures, the Company will not (according to the Guidance Notes issued by the Commerce and Employment Department) be regarded as an undertaking that is equivalent to a UCITS (that is, equivalent to an undertaking for collective investment in transferable securities authorised in accordance with EC Directive 85/611/EEC). As a result, where the Company's paying agent (as defined for these purposes) is located in Guernsey, that paying agent would not be required to retain tax from, or exchange information regarding, distributions made by the Company, and/or the proceeds of the sale, refund or redemption of shares in the Company.

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



## **UK Taxation**

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

### ***The Company***

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

## **UK Shareholders**

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

Individual Shareholders resident in the UK for tax purposes will be liable to UK income tax in respect of dividend or other income distributions of the Company. Under current law an individual Shareholder resident in the UK for tax purposes and in receipt of a dividend from the Company will, provided they own less than 10 per cent. of the Company, be entitled to claim a non-repayable dividend tax credit equal to one-ninth of the dividend received.

Under current law, the income tax charge in respect of dividends for UK resident individual Shareholders will be taxable at the dividend ordinary rate of 10 per cent. (reduced to 0 per cent. for eligible taxpayers as a result of applying the dividend tax credit) or at the dividend upper rate of 32.5 per cent. (reduced to 25 per cent. for eligible taxpayers as a result of applying the dividend tax credit). With effect from 6 April 2010 it is proposed that a dividend rate of 42.5 per cent. will apply for those individuals with income in excess of £150,000.

Shareholders which are bodies corporate resident in the UK for tax purposes will not be liable to UK corporation tax in respect of dividend or other income distributions of the Company which will fall within the exemption from tax for dividends (UK and foreign) received by large and medium-sized companies.

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

The Directors have been advised that, under current law, the Company should not be an offshore fund for the purposes of UK taxation and the provisions of Chapter V of Part XVII of the Income & Corporation Taxes Act 1988 should not apply. Accordingly, Shareholders (other than those holding Shares as dealing stock, who are subject to separate rules) who are resident or ordinarily resident in the UK, or who carry on business in the UK through a branch, agency or permanent establishment with which their investment in the Company is connected, may, depending on their circumstances and subject as mentioned below, be liable to UK tax on capital gains realised on the disposal of their Shares.

On a subsequent disposal by an individual Shareholder who is resident or ordinarily resident in the UK for taxation purposes, a single rate of capital gains tax at 18 per cent. will apply to any gain realised. Individuals may, depending on their circumstances, benefit from certain reliefs and allowances (including a personal allowance which presently exempts from tax the first £10,100 of gains). Holders of Shares who are bodies corporate resident in the UK for taxation purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

The Government has enacted legislation, due to take effect from 1 December 2009, which will reform the UK offshore fund rules. Amongst other changes is a proposed new definition of an “offshore fund”. Should the Company become subject to the UK offshore fund rules as a result of changes in UK tax law, this may have adverse tax consequences for UK resident Shareholders and/or result in additional tax reporting obligations for the Company. It is the Company’s intention to ensure that it falls outside the proposed new definition, but there can be no guarantee that it will do so.

It is not anticipated that the Company would be regarded as a close company if it were resident in the UK. Therefore, capital gains realised by the Company should not be attributed to Shareholders under section 13 of the Taxation of Chargeable Gains Act 1992.

Where a Shareholder holding ADM Ordinary Shares and ADM Subscription Shares acquires Shares pursuant to the Scheme and such Shareholder was issued ADM Subscription Shares by ADM pursuant to the bonus issue undertaken by ADM on 22 October 2008 (the “Bonus Issue”), for the purposes of computing any gain or loss on a subsequent disposal of his or her Ordinary Shares and/or Subscription Shares (in respect of Shareholders who do not hold, alone or together with persons connected with them, more than five per cent. of any class of Shares) the Shareholder will be regarded as having acquired the Ordinary Shares and/or Subscription Shares for the same base cost as his or her relevant ADM Ordinary Shares and/or ADM Subscription Shares. The base cost of such Shareholder’s holding of ADM Ordinary Shares immediately prior to the Bonus Issue should be apportioned between the ADM Ordinary Shares and ADM Subscription Shares held by such Shareholder immediately after the Bonus Issue by reference to their respective market values on the first day of trading of the ADM Subscription Shares. The ADM Subscription Shares were admitted to trading on the London Stock Exchange on 22 October 2008. The apportionment of the base cost of the Shareholder’s holding of ADM Ordinary Shares immediately prior to the Bonus Issue may be taken to be 96.16 per cent. to the ADM Ordinary Shares held immediately following the Bonus Issue and 3.84 per cent. to the ADM Subscription Shares held immediately following the Bonus Issue.

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

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

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

#### ***Non-UK Shareholders***

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

#### ***Individual Savings Accounts (ISAs)***

Shares will be 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 Shares under the Scheme or acquired them through the secondary market following Admission.

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

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

## PART 6

### ADDITIONAL INFORMATION

#### 1. RESPONSIBILITY

The Company, ADM and the Directors (whose names appear on page 17 of this document) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company, ADM and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. THE COMPANY

- 2.1 The Company was incorporated and registered in Guernsey on 16 September 2009 under the Companies Law, as amended, with registered number 50900 with limited liability as a closed-ended investment company. The Company is domiciled in Guernsey.
- 2.2 The Company operates under the Companies Law and the ordinances and regulations made thereunder.
- 2.3 The Company's main activity is that of an investment company.
- 2.4 The liability of the Shareholders is limited.
- 2.5 The Company is newly incorporated and has not commenced operations. Save for its entry into the material contracts summarised in paragraph 8 of this Part 6, since its incorporation, the Company has not carried on significant business and no accounts of the Company have been made up. An application has been made on behalf of the Company for a certificate of registration from HM Greffier in Guernsey, entitling it to commence business and exercise borrowing powers.

#### 3. SHARE CAPITAL

- 3.1 The Ordinary Shares and Subscription Shares have been created pursuant to the Companies Law. The authorised share capital of the Company is represented by an unlimited number of shares which upon issue the Directors may categorise as Ordinary Shares, Subscription Shares or otherwise. On incorporation, one Ordinary Share was issued to the subscriber to the Company's Memorandum of Incorporation. This share will be transferred in conjunction with the Issue.
- 3.2 By way of a special resolution passed by written resolution dated 28 September 2009, it was resolved that, conditionally upon Admission, the Company acting through the Board be generally and unconditionally authorised from time to time to make market purchases of up to 14.99 per cent. of its own issued Ordinary Shares immediately following Admission. This authority will expire at the earlier of the conclusion of the first annual general meeting of the Company and the date being eighteen months from the date of the resolution. A renewal of the authority to make purchases of shares will be sought from Shareholders at each annual general meeting of the Company. The timing of any purchases will be decided by the Board. Any shares bought back by the Company will either be held in treasury (for future reissue and resale) or cancelled.

Purchases will only be made, pursuant to this authority, if:

- (i) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share is £0.01;
- (ii) the maximum price to be paid per Ordinary Share shall be the higher of, (i) 105 per cent. of the average of the closing market value of the Ordinary Shares for the five Business Days immediately preceding the date of the relevant purchase; (ii) the price of the last independent trade; and

- (iii) the highest current independent bid on the trading venues where the purchase is carried out.

The Company may make a contract to purchase Ordinary Shares under this authority prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

- 3.3 Pursuant to a special resolution passed on 28 September 2009, the Directors have been granted authority following Admission to issue further Ordinary Shares for cash up to an amount representing 5 per cent. of the issued Ordinary Share capital immediately following Admission on a non-pre-emptive basis. This authority shall expire at the conclusion of the first annual general meeting of the Company.
- 3.4 It is expected that the Ordinary Shares and Subscription Shares to be issued pursuant to the Scheme will be issued fully paid and be freely transferable pursuant to a resolution of the Board (or a duly authorised committee thereof) passed prior to 10 November 2009.
- 3.5 On Admission, the authorised share capital of the Company will consist of an unlimited number of shares.
- 3.6 Save as referred to in paragraph 3.1 and 3.4 above and pursuant to the Scheme, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.
- 3.7 No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 3.8 Any unallotted shares will remain authorised but unissued and subject to the provision of the Articles, the Directors are entitled to allot shares immediately following Admission for cash or otherwise and classify such shares as Ordinary Shares or Subscription Shares or such other class or classes of shares or as shares with special or other rights as the Directors, subject to the Articles, may determine.

## **4. CONSTITUTIONAL DOCUMENTS**

### **4.1 *Memorandum of Incorporation***

The Memorandum of Incorporation of the Company provides that the objects and powers of the Company are not restricted.

### **4.2 *Articles of Incorporation***

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

#### **4.2.1 *Shares***

The share capital of the Company is represented by an unlimited number of Shares. Without prejudice to any special rights previously conferred on the existing Shareholders, any Share in the Company may be issued with such preferred, deferred or other special rights or restrictions whether as to dividend, voting, return of capital or otherwise as the Board may determine.

Subject to the provisions of the Companies Law, the terms and rights attaching to any class of shares, these Articles and any guidelines established from time to time by the Board, the Company may from time to time purchase its own Shares. The making and timing of any buy back will be at the absolute discretion of the Board.

Subject to any authority conferred by the Articles the unissued shares shall be at the disposal of the Board which may allot, grant options over or otherwise dispose of them to such persons on such terms and conditions and at such times as the Board determines

but so that no share shall be issued at a discount except in accordance with the Companies Law and so that the amount payable on application on each share shall be fixed by the Board.

Subject to the Articles and unless the Shareholders of the Company shall by special resolution otherwise direct, authorised but unissued shares of the Company (or treasury shares held by the Company) shall, before they are allotted for cash as Ordinary Shares or as Subscription Shares (or reissued for cash in the case of treasury shares) (the “offer shares”): (i) in the case of authorised but unissued Ordinary Shares, be offered to the holders of Ordinary Shares whose names are entered in the Company’s register of Shareholders (the “Register”) on the chosen record date or in the case of authorised but unissued Subscription Shares, be offered to the holders of Subscription Shares whose names are entered in the Register on the chosen record date, in proportion to their existing holdings of shares of the relevant class (the “initial offer”); (ii) the initial offer shall be made by written notice (the “offer notice”) from the Directors specifying the number and price of the offer shares and shall invite each relevant Shareholder to apply in writing within a period, not being less than 21 days, for any such offer shares and, if so, the maximum number of offer shares they are willing to take; (iii) at the expiration of the time specified for acceptance in the offer notice the Directors shall allocate the offer shares to or amongst the relevant Shareholder who shall have validly applied for any of the offer shares but so that no Shareholder shall be obliged to take more than the maximum number of shares applied for by him under the relevant Article; and (iv) if any offer shares remain unallocated after the initial offer, the Directors shall be entitled to allot, grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the relevant Shareholders pursuant to the initial offer.

The above provisions shall not apply to the allotment of any:

- (i) shares for a consideration other than cash, and, accordingly, the Directors may allot or otherwise dispose of any authorised but unissued shares (or treasury shares) of the Company for a consideration other than cash to such persons at such times and generally on such terms as they may think fit;
- (ii) Ordinary Shares or Subscription Shares pursuant to the Scheme;
- (iii) Ordinary Shares arising from the exercise of the subscription rights attaching to any Subscription Shares; and
- (iv) Subscription Shares arising from adjustments made to the Subscription Shares pursuant to the Articles.

Subject to the provisions of the Companies Law and the Articles:

- (i) any shares may with the sanction of the Board be issued on terms that they are, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner as the Board may determine;
- (ii) the Company and any of its subsidiary companies may, at the discretion of the Board, give financial assistance directly or indirectly for the purpose of or in connection with the acquisition of shares in the Company or in connection with reducing or discharging any liability incurred in connection with the purchase of shares in the Company;
- (iii) fractions of shares may be issued or purchased by the Company; and
- (iv) subject to the Articles, the Company may issue shares of no par value or shares with a par value or a combination of both.

#### 4.2.2 *Ordinary Shares*

The rights attaching to Ordinary Shares include the following:

## Dividends

Holders of Ordinary Shares shall be entitled to such dividend as may be declared by the Company from time to time.

## Capital entitlement

On a winding up, in the event that there are Ordinary Shares and Subscription Shares in issue (i) Ordinary Shares and Subscription Shares shall rank *pari passu* for the return of their paid up nominal capital; and (ii) any surplus shall be applied to the Ordinary Shares and Subscription Shares in accordance with Article 5.3.3(x) if applicable and, if not applicable, exclusively to the Ordinary Shares *pari passu*. In the event that there are only Ordinary Shares in issue, such shares shall rank *pari passu* for the nominal capital paid up thereon and in respect of any surplus.

## Voting Rights

Holders of Ordinary Shares will be entitled to attend, speak and vote at all general meetings of the Company.

### 4.2.3 Subscription Shares

The rights attaching to Subscription Shares are set out in Article 5.3 of the Articles and are as follows:

#### “5.3. Rights attaching to the Subscription Shares

##### 5.3.1 Subscription Rights

(i) A registered holder for the time being (a “**holder**”) of a Subscription Share shall have the right (“**subscription right**”) exercisable by notice to the Company to subscribe for one Ordinary Share (the “**conversion rate**”) by:

(A) subscribing in cash on 31 October, or, in the event that such is not a Business Day, the last Business Day in October (or, if later, the 30th day after the date on which copies of the audited accounts of the Company for the immediately preceding financial year are despatched to holders of Ordinary Shares) in either of the years 2010 or 2011 (both inclusive) (each a “subscription date”) for all or any of the Ordinary Shares for which he is entitled to subscribe in respect of such Subscription Shares of which he is the holder at the price per Ordinary Share of 291.00 pence (the “**subscription price**”) payable in full on subscription; and

(B) otherwise complying with Article 5.3.1(ii) below.

The number of Ordinary Shares to which each Subscription Share relates is one Ordinary Share, but the subscription price (and the number of Subscription Shares outstanding) will be subject to adjustment as provided in Article 5.3.2 below. The Subscription Shares registered in a holder’s name will be evidenced by a Subscription Share certificate issued by the Company (in the case of any Subscription Shares that are in certificated form) or in accordance with and subject to the provisions of the Regulations and the facilities and requirements of the relevant system concerned (in the case of any Subscription Shares that are in uncertificated form).

(ii) In order to exercise the subscription rights in respect of any Subscription Shares that are in certificated form on any subscription date, in whole or in part, the holder of a Subscription Share must lodge the relevant Subscription Share certificate(s) (or such other document as the Company may, in its discretion, accept) at the office of the registrars for the time being of the Company (the “**Registrars**”) during the period of 28 days ending at 3.30 p.m. on the relevant subscription date (the “**lodgement date**”) having completed the notice of exercise of subscription rights thereon (or by giving such other

notice of exercise of subscription rights as the Company may, in its discretion, accept) (a “**subscription notice**”), accompanied by a remittance for the subscription price for the Ordinary Shares in respect of which the subscription rights are exercised. Once lodged, a notice of exercise of subscription rights shall be irrevocable save with the consent of the Directors of the Company. Compliance must also be made with any statutory and regulatory requirements for the time being applicable. In order to exercise the subscription rights in respect of any Subscription Shares that are in uncertificated form on any subscription date, in whole or in part, the holder must procure that a properly authenticated dematerialised instruction and/or other instruction or notification and payment (together, an “**uncertificated subscription notice**” which, in respect of such Subscription Shares, shall also be deemed to constitute a notice of exercise of subscription rights) is received by the Company or by such person as it may require in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the facilities and requirements of the relevant system concerned) during the period of 28 days ending at 3.30 p.m. on the lodgement date. The Directors may in addition determine when any such uncertificated subscription notice is to be treated as received by the Company or by such person as it may require for these purposes (subject always to the facilities and requirements of the relevant system concerned). Without prejudice to the generality of the foregoing, the effect of the uncertificated subscription notice referred to above may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. In either case compliance must also be made with any statutory requirements then applicable. Whether any Subscription Shares are in certificated form or uncertificated form on a lodgement date shall be determined by reference to the register of Subscription Share holders as at 12.01 a.m. on the relevant lodgement date or such other time as the Directors may (subject to the facilities and requirements of the relevant system concerned) in their absolute discretion determine.

- (iii) Not earlier than 56 days nor later than 28 days before each subscription date, the Company shall give notice in writing to the holders of the outstanding Subscription Shares reminding them of their subscription rights and in relation to Subscription Shares that are in uncertificated form, stating the form of uncertificated subscription notice prescribed by the Directors in relation to the subscription date concerned.
- (iv) Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after and with effect from the relevant subscription date and in respect of any Subscription Shares which are in certificated form on any subscription date, certificates in respect of such Ordinary Shares will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name(s) the Subscription Share is registered at the date of such exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of any tax as may be applicable) to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrars (and, if more than one, to the first-named, which shall be sufficient despatch for all). In the event of a partial exercise of the subscription rights evidenced by a Subscription Share certificate, the Company shall at the same time issue a fresh Subscription Share certificate in the name of the holder for any balance of his subscription rights remaining exercisable, in relation to any Subscription Shares that are in certificated form. Unless the Directors otherwise determine, or unless the CREST Regulations and/or the rules of the relevant system concerned otherwise require, the Ordinary Shares arising on exercise of any subscription rights shall be or shall be issued (as appropriate) in uncertificated form (where the

Subscription Shares exercised were in uncertificated form on the subscription date concerned) or in certificated form (where the Subscription Shares exercised were in certificated form on the subscription date concerned).

- (v) Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the subscription date, provided that, on any allotment falling to be made pursuant to Article 5.3.3(viii) below, the Ordinary Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of actual allotment.
- (vi) Applications will be made to the UK Listing Authority and the London Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List and to trading on the London Stock Exchange and the Company will use all reasonable endeavours to obtain the admission thereof not later than 27 days after the relevant subscription date.
- (vii) If, immediately after any subscription date (other than the final subscription date) and after giving effect to any subscription rights exercised on that date, subscription rights shall have been exercised in respect of 75 per cent. or more of the Ordinary Shares to which the Subscription Shares issued relate (excluding any Ordinary Shares to which subscription rights attached to Subscription Shares purchased by the Company or any of its subsidiaries relate), the Company shall be entitled within 14 days thereafter to serve notice in writing on the holders of the Subscription Shares then outstanding of its intention to appoint a trustee for the purposes set out below upon the expiry of 21 days from the date of such notice (the “**Notice Period**”) and for this purpose the Notice Period shall expire at 3.30 p.m. upon the 21st day. However, such notice shall in its terms give the holders of the Subscription Shares so outstanding a final opportunity to exercise their subscription rights in the manner set out in Article 5.3.1(ii) above before the expiry of the Notice Period as if the expiry of the Notice Period were the lodgement date. Forthwith after the expiry of the Notice Period, the Company shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall within the period of 14 days following the expiry of the Notice Period exercise the subscription rights which shall not have been exercised on the terms (subject to any adjustments pursuant to Articles 5.3.2(i) to 5.3.2(vi) below) on which the same could have been exercised immediately prior to the expiry of the Notice Period if they had been exercisable and been exercised and sell in the market the Ordinary Shares acquired on such subscription. The trustee shall distribute pro rata the net proceeds of such sale less such subscription costs and such other costs and expenses to the persons entitled thereto at the risk of such persons within two months of the relevant subscription date, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the trustee shall not exercise the subscription rights within the period of 14 days following such expiry as aforesaid (and his decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all subscription rights shall lapse and all outstanding Subscription Shares shall be converted into special deferred shares of £0.01 each having the rights set out below (“**Special Deferred Shares**”). Special Deferred Shares shall only be issued in certificated form.

Special Deferred Shares shall on a return of assets in a winding-up entitle the holder only to the repayment of the paid up nominal capital on such shares after repayment of the paid up nominal capital on the Ordinary Shares plus



the payment of £5,000 on each Ordinary Share and shall not entitle the holder to the payment of any dividend nor to receive notice of or to attend or vote at any general meeting of the Company and such conversion shall be deemed to confer irrevocable authority on the Company at any time thereafter to appoint any person to execute on behalf of the holders of such shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof, to such person as the Company may determine as custodian thereof and to cancel and/or purchase the same (in accordance with the provisions of the Companies Law) without making any payment to or obtaining the sanction of the holder thereof and pending such transfer and/or cancellation and/or purchase to retain the certificate for such shares.

The Board may at its option at any time after the creation of any Special Deferred Shares redeem all or any of the Special Deferred Shares then in issue, at a price of £1.00 in aggregate for all the Special Deferred Shares redeemed, at any time upon giving the registered holder(s) of such share or shares not less than 28 days' previous notice in writing of its intention so to do, fixing a time and place for their redemption. No amount shall be payable to any holder of Special Deferred Shares upon such redemption as aforesaid unless the amount due to such holder exceeds 50 pence, and such amounts shall be retained and used for the benefit of the Company.

If and whenever the Board shall determine to redeem pursuant to the foregoing paragraph less than the total number of the Special Deferred Shares then outstanding, those to be redeemed shall be selected by the drawing of lots. At the time and place so fixed, each such registered holder shall be bound to surrender to the Company the certificate for his Special Deferred Shares which are to be redeemed in order that such shares may be cancelled.

- (viii) Within seven days following the final subscription date the Company shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall within the period of 14 days following such final subscription date exercise the subscription rights which shall not have been exercised on the terms on which the same could have been exercised on the final subscription date and sell in the market the Ordinary Shares acquired on such subscription. The trustee shall distribute pro rata the net proceeds of such sale less such subscription costs and such other costs and expenses to the persons entitled thereto at the risk of such persons within two months of the final subscription date, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. If the trustee shall not exercise the subscription rights within the period of 14 days following such final subscription as aforesaid (and his decision in respect thereof shall be final and binding on all holders of outstanding Subscription Shares), all subscription rights shall lapse and all outstanding Subscription Shares shall be converted into Special Deferred Shares.
- (ix) The trustee referred to in Articles 5.3.1(vii) and 5.3.1(viii) above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.
- (x) The Subscription Shares, and the Ordinary Shares arising on exercise of the Subscription Shares, have not been and will not be registered under the United States Securities Act of 1933 (as amended) and the relevant exemptions have not been and will not be obtained from the Securities Commission or similar regulatory authority of any province of Canada. The Ordinary Shares and Subscription Shares may not be offered, sold, renounced, transferred or delivered, directly or indirectly, in Canada or the United States or to any citizen or resident of Canada (a "**Canadian Person**")

or of the United States (a “**U.S. Person**”) or to or for the benefit of any such person. Persons subscribing for Ordinary Shares in connection with the exercise of subscription rights in respect of Subscription Shares shall (unless the Ordinary Shares can be lawfully allotted) be deemed to represent and warrant to the Company that they are not Canadian Persons or U.S. Persons and that they are not subscribing for such Ordinary Shares for the account of any such person and are not subscribing with a view to the re-offer or re-sale of such Ordinary Shares directly or indirectly in Canada or the United States and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Ordinary Shares in Canada or the United States or to or for the benefit of any Canadian Person or U.S. Person. The Company shall be entitled in its absolute discretion to impose such conditions, restrictions, limitation, prohibitions and other requirements as it may from time to time think fit for the purpose of complying with relevant laws of the United States and/or Canada.

- (xi) Subscription rights as are due to be exercised in relation to any Subscription Shares on any subscription date (in this Article 5.3.1 referred to as the “**Relevant Shares**”) shall be effected in accordance with the following provisions of this Article 5.3.1 or in such other manner as may be authorised the Companies Law.
- (xii) To enable such subscription to be effected, the Directors will redeem at par the Relevant Shares on any subscription date out of any profits and/or reserves of the Company which would otherwise be available for distribution under the Companies Law. A Relevant Share shall confer upon the holder thereof the right to subscribe for the appropriate number of Ordinary Shares at the applicable conversion rate at such price as shall represent the aggregate of (a) the subscription price and (b) the amount of the redemption moneys to which the holder is entitled; in any such case, the notice of exercise of subscription rights given by a holder of Relevant Shares shall be deemed irrevocably to authorise and instruct the Directors to apply the redemption moneys payable to him in subscribing for such Ordinary Shares at such price as aforesaid.
- (xiii) In relation to any Relevant Shares that are to be redeemed in accordance with Articles 5.3.1(iii) above and that, on the subscription date concerned, are in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the facilities and requirements of the relevant system concerned). Without prejudice to the generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer-instruction to the operator of the relevant system concerned requesting or requiring the deletion of any computer-based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated to certificated form prior to the subscription date concerned (in which case Article 5.3.1(xii) above shall determine the procedure for such redemption).

#### 5.3.2 Adjustment of Subscription Rights

The subscription price (and the number of Subscription Shares outstanding) shall from time to time be adjusted in accordance with the provisions of this Article 5.3.2.

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

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

- (ii) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the subscription price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (iii) If on a date (or by reference to a record date) on or before the final subscription date, the Company makes any offer or invitation (whether by way of rights issue or otherwise but not being an offer to which Article 5.3.3(xi) below applies or an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares, or any offer or invitation (not being an offer to which Article 5.3.3(viii) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then holders of the Subscription Shares as if their subscription rights had been exercisable and had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to Articles 5.3.2(i) to 5.3.2(vi)) on which the same could have been exercised on that date, provided that, if the Directors of the Company so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then holders of the Subscription Shares but the subscription price shall be adjusted: (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the subscription price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription, and (ii) in any other case, in such manner as an independent financial adviser appointed by the Board (the “**Financial Adviser**”) shall report in writing to be fair and reasonable. Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the Financial Adviser. For the purposes of this Article 5.3.2(iii), “**market price**” shall mean the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the five consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained.
- (iv) No adjustment will be made to the subscription price pursuant to Articles 5.3.2(i), 5.3.2(ii) or 5.3.2(iii) above (other than by reason of a consolidation of Ordinary Shares as referred to in Article 5.3.2(i) above) if it would result in an increase in the subscription price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this Article 5.3.2(iv)) be less than 1 per cent. of the subscription price then in force and on any

adjustment the adjusted subscription price will be rounded down to the nearest whole penny. Any adjustment not so made and any amount by which the subscription price is rounded down will be carried forward and taken into account in any subsequent adjustment.

- (v) Whenever the subscription price is adjusted as provided in accordance with Articles 5.3.2(i) to 5.3.2(iv) (inclusive) above (other than by reason of a consolidation of Ordinary Shares as referred to in Article 5.3.2(i) above), the Company shall issue, credited as fully paid, additional Subscription Shares to each holder of Subscription Shares at the same time as such adjustment takes effect. The number of additional Subscription Shares to which a holder of Subscription Shares will be entitled shall be the number of existing Subscription Shares held by him multiplied by the following fraction:

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

where:

X = the subscription price immediately before the adjustment; and

Y = the subscription price immediately after the adjustment.

Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the holders of Subscription Shares entitled thereto at the risk of such persons, save that amounts of less than £3.00 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable the adjustment to be made to the holder of Subscription Shares' holding of uncertificated Subscription Shares in the relevant system concerned.

- (vi) Whenever the subscription price is adjusted in accordance with this Article by reason of a consolidation of Ordinary Shares as referred to in Article 5.3.2(i) above, the number of Ordinary Shares for which each holder of Subscription Shares is entitled to subscribe will be reduced accordingly.
- (vii) The Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to Articles 5.3.2(i) to 5.3.2(vi) (inclusive) above.
- (viii) If a holder of Subscription Shares shall become entitled to exercise his subscription rights pursuant to Article 5.3.3(viii) below, the subscription price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Financial Adviser in accordance with the following formula:

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

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this Article 5.3.2(viii), be applicable (subject to any adjustments previously made pursuant to Articles 5.3.2(i) to 5.3.2(vi) (inclusive) above) if the subscription rights were exercisable on the date on which the Company shall become aware as provided in Article 5.3.3(viii) below;

C = the value of the final offer for the Ordinary Shares in pence on the date on which the Company shall become aware as provided in Article 5.3.3(viii) below;

D = the value of the Subscription Shares as calculated using the standard Black-Scholes pricing formula, as amended by Merton for dividend

payments (Source: Bell Journal of Economics and Management Science Volume 4 Spring 1973), based on the value of the final offer for the Ordinary Shares in pence on the date on which the Company shall become aware as provided in Article 5.3.3(viii) below, taking as the stock price volatility the volatility in the market price of an Ordinary Share on a total return basis over 365 days ending on the dealing day immediately preceding the date of the announcement of the offer (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such an offer or original offer or of the possibility of the same being made, and taking as the interest rate the Gross Redemption Yield on Treasury 8 per cent. 2013 government stock on an annual basis and using as a yield the last annual net dividend payment, in pence sterling;

provided that:

- (A) no adjustment shall be made to the subscription price where the value of C exceeds the aggregate value of B and D in the above formula;
- (B) the Financial Adviser shall be entitled to make such further adjustments to the subscription price payable on any subsequent exercise of the subscription rights in accordance with Article 5.3.3(vii) as they shall report to be appropriate; and
- (C) the subscription price shall not be adjusted so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this sub-paragraph (C), have reduced the subscription price to below the nominal value of an Ordinary Share, the number of Ordinary Shares entitled to be subscribed pursuant to Article 5.3.3(viii) shall be adjusted in such manner as the Financial Adviser shall report to be appropriate to achieve the same economic result for the holders of the Subscription Shares as if the subscription price had been reduced without regard to this sub-paragraph (C).

The notice required to be given by the Company under Article 5.3.3(viii) below shall give details of any reduction in the subscription price pursuant to this Article 5.3.2(viii).

- (ix) For the purpose of determining whether Article 5.3.3(x) below shall apply and accordingly whether each holder of a Subscription Share is to be treated as if his subscription rights had been exercisable and had been exercised as therein provided, the subscription price which would have been payable on such exercise shall be reduced by an amount determined by the Financial Adviser in accordance with the following formula:

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

where:

A = the reduction in the subscription price;

B = the subscription price which would, but for the provisions of this Article 5.3.2(ix), be applicable (subject to any adjustments previously made pursuant to Articles 5.3.2(i) to 5.3.2(vi) (inclusive) above) if the subscription rights were exercisable immediately before the date on which the order referred to in Article 5.3.3(x) below shall be made or on which the effective resolution referred to in that Article shall be passed (as the case may be);

C = the amount (as determined by the Financial Adviser) of the assets available for distribution in the liquidation of the Company in respect of each Ordinary Share, taking into account for this purpose the Ordinary Shares which would arise on exercise of all the subscription rights and the subscription price which would be payable on the exercise of such subscription rights (subject to any adjustments previously made

pursuant to Articles 5.3.2(i) to 5.3.2(vi) (inclusive) above but ignoring any adjustment to be made pursuant to this Article 5.3.2(ix)); and

D = the average of the middle market quotations for one Subscription Share as derived from the London Stock Exchange Daily Official List for the five consecutive dealing days ending on the dealing day immediately preceding the last dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed

provided that no adjustment shall be made to the subscription price where the value of C exceeds the aggregate value of B and D in the above formula.

- (x) Where an event which gives or may give rise to an adjustment to the subscription price occurs whether in such proximity in time to another such event or otherwise in circumstances such that the Company in its absolute discretion determines that the foregoing provisions need to be operated subject to some modification in order to give a result which is fair and reasonable in all the circumstances such modification shall be made in the operation of the foregoing provisions as may be advised by the Financial Adviser to be in their opinion appropriate in order to give such a result.

### 5.3.3 Protective Provisions

So long as any subscription rights remain exercisable:

- (i) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Subscription Shares):
  - (A) make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
  - (B) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares; or
  - (C) on or by reference to a record date falling within the period of six weeks ending on the final subscription date, make any such allotment as is referred to in Article 5.3.2(ii) above or any such offer or invitation as is referred to in a Article 5.3.2(iii) above (except by extending to the holders of the Subscription Shares any such offer or invitation as may be made by a third party);
- (ii) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Subscription Shares) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital (as defined in section 531(5) of the Companies Law) except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital;
- (iii) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in Article 5.3.2(iii) if, in either case, the Company would on any subsequent exercise of the subscription rights be obliged to issue Ordinary Shares at a discount to nominal value;
- (iv) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Subscription Shares or for a reduction not involving any payment to shareholders) reduce any of its share capital or any uncalled or unpaid liability in respect of any of its share capital;

- (v) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable;
- (vi) the Company shall not (except with the sanction of an extraordinary resolution of the holders of the Subscription Shares) change its financial year end from 31 October except to a date falling within seven days before or after 31 October;
- (vii) the Company shall not grant (or agree to grant) any option in respect of, or create any rights of subscription for, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares then in issue, nor (except with the sanction of an extraordinary resolution of the holders of the Subscription Shares) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of subscription for, or issue any loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the subscription price for the time being;
- (viii) subject as provided in Article 5.3.3(ix) below, if at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the final subscription date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the holders of the Subscription Shares of such vesting or pending vesting within 14 days of its becoming so aware, and each such holder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustments pursuant to Articles 5.3.2(i) to 5.3.2(vi) (inclusive) and subject to Article 5.3.2(viii) above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under Part VIII of the Companies Law providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this Article 5.3.3(viii) and reference herein to such an offer shall be read and construed accordingly;
- (ix) if under any offer as referred to in Article 5.3.3(viii) above the consideration shall consist solely of the issue of Ordinary Shares of the offeror and the offeror shall make available an offer of warrants or other rights to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer, the tax treatment of such warrants or other rights to subscribe or compared with that of the Subscription Shares and any other circumstances which may appear to such financial advisers to be relevant), then a holder of Subscription Shares shall not have the right to exercise his subscription rights on the basis referred to in Article 5.3.3(viii) above and, subject to the offer as referred to in Article 5.3.3(viii) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued Ordinary Share capital of the Company not already owned by it or its associates, any Director of the Company shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of warrants or other

rights to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares:

- (A) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror, in respect of Subscription Shares that are in certificated form, or to take or authorise or procure the taking of such action as shall be required in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant system concerned to effect such transfer, in respect of Subscription Shares that are in uncertificated form, in consideration of the issue of warrants or other rights to subscribe for ordinary shares in the offeror as aforesaid whereupon all the subscription rights shall lapse and all outstanding Subscription Shares shall be converted into Special Deferred Shares which shall have the same rights and shall be treated as if they had been created under Article 5.3.1(vi) above; and
  - (B) to do such acts and things as may be necessary or appropriate in connection therewith;
- (x) if an order is made or an effective resolution is passed for winding-up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of holders of the Subscription Shares) each holder of a Subscription Share shall if in such winding-up and on the basis that all subscription rights then unexercised had been exercised in full and the subscription price therefor had been received in full by the Company there shall be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the subscription rights (taking into account any adjustments pursuant to Articles 5.3.2(i) to 5.3.2(vi) (inclusive) and 5.3.2(ix) above), which surplus would, on such basis, exceed in respect of each Ordinary Share a sum equal to such subscription price) be treated as if immediately before the date of such order or resolution (as the case may be) his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustments pursuant to Articles 5.3.2(i) to 5.3.2(vi) and 5.3.2(ix) above) on which the same could have been exercised if they had been exercisable and had been exercised immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the subscription price (subject to any adjustments pursuant to Articles 5.3.2(i) to 5.3.2(vi) (inclusive) and 5.3.2(ix) above). Subject to the foregoing, all subscription rights shall lapse on liquidation of the Company; and
- (xi) if at any time an offer or invitation is made by the Company to the holders of its Ordinary Shares generally for purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the holders of the Subscription Shares and each holder of a Subscription Share shall be entitled, at any time whilst such offer or invitation remains open for acceptance, to exercise his subscription rights on the terms (subject to any adjustments made under Articles 5.3.2(i) to 5.3.2(vi) (inclusive) above) on which the same could have been exercised if they had been exercisable and had been exercised on the day immediately preceding the record date for such offer or invitation and any Ordinary Shares arising on exercise of the subscription rights shall be included in the offer or invitation on the same terms and conditions as if the Ordinary Shares arising on the exercise of subscription rights had been in issue on the record date for such offer or invitation.



#### 5.3.4 Other Rights

(i) Income

The holders of the Subscription Shares shall not be entitled to any right of participation in the dividends declared by the Company.

(ii) Capital

On a return of capital on liquidation the Subscription Shares shall rank in accordance with Article 5.3.3(x) and paragraph 4.2.15 below.

(iii) General Meetings and Modification of Rights

(A) Whether or not the subscription rights shall have expired, the Subscription Shares shall not confer on the holders thereof the right to attend, speak or vote at any general meeting of the Company and references in these Articles to “members”, “shareholders” and “holders”, in relation to receiving notice of, attending or voting at general meetings of the Company shall be construed accordingly, but they shall entitle the holders to receive copies of notices of general meetings for information only and of the annual consolidated audited accounts of the Company and its subsidiaries as if they were holders of Ordinary Shares.

(B) All or any of the rights for the time being attaching to the Subscription Shares and any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the holders of Subscription Shares.

#### 5.3.5 Purchase

The Directors shall have the authority to authorise the Company and its subsidiaries to purchase Subscription Shares in the market, by tender or by private treaty but:

- (i) such purchases will be limited to a maximum price per Subscription Share which, in the case of purchases through the market, will not exceed 5 per cent. above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for the 10 consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and
- (ii) if such purchases are by tender, such tender will be available to all holders of Subscription Shares alike; and
- (iii) such authority shall expire five (5) years after the date of incorporation or the date of adoption of these Articles.

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

#### 5.3.6 Transfer

Each Subscription Share will be registered and (in the case of any Subscription Shares that are in certificated form) will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors and (in the case of any Subscription Shares that are in uncertificated form) in accordance with and subject to the provisions of the CREST Regulations and the facilities and requirements of the relevant system concerned and, subject thereto, any arrangements from time to time made by the Directors pursuant to Article 5.3.7(vi) below except that (in either case) no transfer of a right to subscribe for a fraction of an Ordinary Share shall be effected.

#### 5.3.7 General

- (i) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each holder of a Subscription Share (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (ii) For the purpose of these conditions, “**extraordinary resolution of the holders of the Subscription Shares**” means a resolution proposed at a meeting of the holders of the Subscription Shares duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.
- (iii) For purposes of Article 5.3.2(v) above, the Directors shall, and are hereby authorised to, capitalise any part of the amount then standing to the credit of any of the Company’s reserve accounts and the same shall be applied in paying up in full at par the additional Subscription Shares created and to be issued pursuant to Article 5.3.2(v) above to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares in accordance with their respective entitlements as therein determined.
- (iv) Any determination or adjustment made pursuant to these terms and conditions by the Financial Adviser shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the holders of the Subscription Shares.
- (v) The invalidity of any undertaking, or any part of any undertaking, in Article 5.3.3 above shall not affect the validity of any other part of that Article. If any event occurs which, but for any rule of law, would be a breach of Article 5.3.3 above, the Company shall pay to the Subscription Share holders such sum as the Financial Adviser of the Company shall determine to be equal to the loss in value of the warrants resulting from such event.

The Directors may make such arrangements or regulations (if any) as they may from time to time in their absolute discretion think fit in relation to the evidencing, issue, conversion and transfer of uncertificated Subscription Shares, the payment of any monies in respect of uncertificated Subscription Shares and otherwise for the purpose of implementing and/or supplementing the provisions of this Article 5.3.7 and the Regulations and the facilities and requirements of the relevant system concerned; and such arrangements and regulations (as the case may be) shall have the same effect as if set out in this Article 5.3.7.”

#### 4.2.4 *Variation of Rights*

If at any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue) may whether or not the Company is being wound up be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution of the holders of the shares of that class.

#### 4.2.5 *Notice Requiring Disclosure of Interest in Shares*

- (i) The Directors may serve notice in writing to require any 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 and the nature of such interest.
- (ii) Any such notice shall require any information in response to such notice to be given in writing within the prescribed period which shall be 28 days after the service of the notice, or 14 days if the Shares concerned represent 0.25 per cent. or more in

value of the issued share of the relevant class, or such other reasonable time period as the Directors may determine.

- (iii) The Directors may be required to exercise their powers under the relevant Article on the requisition of Shareholders (excluding the holders of treasury shares) of the Company holding at the date of the deposit of the requisition not less than one-tenth of such of the paid up capital of the Company as carries at that date the right of voting at general meetings of the Company.
- (iv) The requisition must state that the requisitionists are requiring the Company to exercise its powers under the relevant Article; specify the manner in which they require those powers to be exercised and give reasonable grounds for requiring the Company to exercise those powers in the manner specified, and must be signed by the requisitionists and deposited at the Company's registered office.
- (v) If any Shareholder has been duly served with a notice given by the Directors and is in default for the prescribed period in supplying to the Company the information thereby required the Directors may in their absolute discretion at any time thereafter serve a notice (a "direction notice") upon such Shareholder.

A direction notice may direct that, in respect of the Shares comprising the shareholder account in the Company's register of Shareholders which comprises or includes the Shares in relation to which the default occurred (all or the relevant number as comprises or includes the Shares in relation to appropriate of such Shares being the "default shares") and any other shares held by the Shareholder, the Shareholder shall not be entitled to attend or vote (either personally or by representatives or by proxy) at any general meeting or meeting of the holders of any class of shares of the Company or to exercise any other right conferred by membership in relation to any such meetings.

Where the default shares represent at least 0.25 per cent. of the class of shares concerned, then the discretion notice may additionally direct that (a) in respect of the default shares, any dividend or part thereof which would otherwise be payable on such shares shall be retained by the Company without any liability to pay interest thereon when such money is finally paid to the Shareholder and (b) no transfer other than an approved transfer (as set out in the Articles) of any of the shares held by such Shareholder shall be registered unless the Shareholder is not himself in default as regards supplying the information requested, and the transfer is of part only of the Shareholder's holding and when presented for registration is accompanied by a certificate by the Shareholder in a form satisfactory to the Directors to the effect that after due and careful enquiry the Shareholder is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer. The Company shall send to each other person appearing to be interested in the shares the subject of any direction notice a copy of the notice, but failure or omission by the Company to do so shall not invalidate such notice.

#### 4.2.6 *Transfer of Shares*

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

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

Where any class of shares is for the time being admitted to settlement by means of the CREST system such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holder in both

certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of CREST. Every transfer of Shares from a CREST account of a CREST member to a CREST account of another CREST member shall vest in the transferee a beneficial interest in the Shares transferred, notwithstanding any agreements or arrangements to the contrary, however and whenever arising and however expressed. Subject as provided below, any Shareholder may transfer all or any of his Shares which are in certificated form 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 certificated 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 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.

Subject to the provisions of the CREST Guernsey Requirements, 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.

No transfer to any person will be registered without the consent of the Directors if it would:

- (i) give rise to an obligation on the Company to register as an “investment company” under the US Investment Company Act of 1940 as amended (the “Investment Company Act”) or any similar legislation; (ii) give rise to an obligation on the Company to register under the US Securities Exchange Act of 1934 as amended (the “Exchange Act”) or any similar legislation; (iii) result in the Company not being considered a “Foreign Private Issuer” as such term is defined in rule 3b-4(c) under the Exchange Act; (iv) result in a US Plan Investor (as defined in the Plan Asset Regulations 29 C.R.R. 2510.3 – 101 (the “Plan Asset Regulations”) adopted by the United States Department of Labor under the Employee Retirement Income Security Act of 1974 (“ERISA”)) holding shares; or (v) result in a person holding shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time (each person described in (i) through (v) above, a “Prohibited Person”), and in each of the cases described in (i) through (v) above, only to the extent permitted under the CREST Guernsey Requirements, in the event that any Shareholder becomes, or holds shares on behalf of, a Prohibited Person such Shareholder shall be required to notify the Company immediately.

If it shall come to the notice of the Directors:

- (i) that a Prohibited Person holds or is a beneficial owner of shares;
- (ii) that any shares are held or beneficially owned in a manner that would, in the absolute discretion of the Directors, prevent the Company from relying on the exemption from the obligation to register as an “investment company” under the Investment Company Act that is set forth in Section 3(c)(7) of the Investment Company Act; or
- (iii) the holding or beneficial ownership of any shares (whether on its own or in conjunction with any other shares) would in the absolute discretion of the Board cause the assets of the Company to be considered “plan assets” within the meaning of the Plan Asset Regulations,

then any shares which the Directors decide, in their absolute discretion, are shares which are held or beneficially owned pursuant to the above provisions (such shares, together the “Prohibited Shares”) must be dealt with in accordance with the provisions of the Articles. The Directors may at any time give notice in writing to the holder of a share requiring him to make a declaration, or to provide information that is relevant to the determination, as to whether or not the share is a Prohibited Share.

The Directors shall give written notice to the holder of any share which appears to them to be a Prohibited Share requiring him within 21 days (or such extended time as the Directors consider reasonable) to provide the Directors with sufficient satisfactory evidence that such share is not a Prohibited Share or to transfer (and/or procure the disposal of interests in) such share to another person so that it will cease to be a Prohibited Share and to provide the Directors with satisfactory evidence of such sale or transfer. From the date of such notice until such person has established to the satisfaction of the Directors that the share is not a Prohibited Share or until registration of such a transfer or a transfer arranged by the Directors as referred to below, (i) the share will not confer any right on the holder to receive notice of or to attend and vote at general meetings of the Company and of any class of shareholders (and those rights will vest in the Chairman of any such meeting, who may exercise or refrain from exercising them entirely at his discretion) and (ii) no payments shall be made by the Company in respect of the Prohibited Shares. Further, the holder shall repay the Company any amounts distributed to such holder by the Company during the time such holder held Prohibited Shares. If the notice is not complied with within 21 days to the satisfaction of the Directors, the Directors may in their absolute discretion impose a penalty for each day such beneficial holder shall hold Prohibited Shares or, subject to the CREST Guernsey Requirements, arrange for the Company to sell the share at the best price reasonably obtainable to any other person so that the share will cease to be a Prohibited Share. The net proceeds of sale shall be paid over by the Company to the former holder upon surrender by him of the relevant share certificate (if applicable).

#### 4.2.7 *Untraced Shareholders*

The Company is entitled to sell (at a price which the Company shall use its reasonable endeavours to ensure is the best obtainable) the Shares of a Shareholder or the Shares to which a person is entitled by virtue of transmission on death or insolvency or otherwise by operation of law if and provided that the following conditions are satisfied: (i) for a period of twelve years, being a period during which at least three dividends in respect of the Shares have become payable, no dividend has been claimed; (ii) the Company has at the expiration of the said period of twelve years given notice by advertisement in both a United Kingdom national newspaper and in a newspaper circulating in the area the member is located of its intention to sell the Shares; (iii) the Company has not during the further period of three months following the publication of the said advertisements received any indication of the whereabouts or existence of such member; and (iv) if the shares are admitted to trading to the Official List or admitted to the AIM market of the London Stock Exchange, the Company has given notice in writing to the Regulatory Information Service (as defined by the Listing Rules) of its intention to sell such Shares.

#### 4.2.8 *Alteration of Capital*

The Company may by ordinary 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; cancel any Shares which at the date of the resolution have not been taken up or agreed to be taken up and diminish the amount of its authorised share capital by the amount of Shares so cancelled; convert all or any of its Shares into a different currency; or denominate or redenominate its Shares. The Company may reduce its share capital, any capital account or any share premium account in any manner and with and subject to any authority and consent required by the Companies Law.

#### 4.2.9 *Notice for General Meetings*

An annual general meeting (other than an adjourned general meeting) must be called by notice of at least twenty Business Days. A general meeting (other than an annual general meeting or an adjourned meeting) must be called on notice of not less than fourteen clear days and such notice may be published on a website in accordance with the Companies Law. The notice must specify the time, date and place of the general meeting and, in the case of any special resolution, waiver resolution or unanimous resolution, the general nature of the business to be transacted. With the consent in writing of all Shareholders

entitled to attend, a meeting may be convened by a shorter notice in any manner they think fit. The accidental omission to give notice of any meeting or the non-receipt of such notice by any Shareholder shall not invalidate any resolution, or any proposed resolution otherwise duly approved, passed or proceeding at any meeting.

#### 4.2.10 *Directors' Qualifications*

The Company currently has no such qualification. A Director need not be a Shareholder.

#### 4.2.11 *Directors' Remuneration*

The ordinary remuneration of the Directors who do not hold executive office for their services (excluding amounts payable under any other Article) shall not in aggregate exceed £150,000 per annum or such higher amount as the Company may from time to time by ordinary resolution determine. Such remuneration shall be deemed to accrue from day to day.

The Directors shall also be entitled to be repaid all reasonable out of pocket expenses properly incurred by them in attending or returning from meetings of the Board, committees of the Board, class meetings or general meetings. If any Director having been requested by the Board devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.

#### 4.2.12 *Interests of Directors*

A Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose to the Board in accordance with the Companies Law: (i) if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest; or (ii) if the monetary value of the Director's interest is not quantifiable the nature and extent of that interest. This does not apply if the transaction or proposed transaction is between the Director and the Company and the transaction or proposed transaction is or to be entered into in the ordinary course of the Company's business and on usual terms and conditions.

- (i) Save as mentioned below, a Director may not vote (but may be counted in the quorum) in respect of any contract or arrangement or any other proposal whatsoever in which he has any material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company).
- (ii) A Director (in the absence of some other material interest than is indicated below) shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
  1. the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
  2. the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
  3. a proposal concerning an offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate; and
  4. any proposal concerning any other company in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he is not the holder of or beneficially interested in one per cent. (1%) or more of the issued shares of such company (or of any

third company through which his interest is derived) or of the voting rights available to Shareholders of the relevant company (any such interest being deemed for the purpose of the Articles) to be a material interest in all circumstances).

- (iii) A Director is interested in a transaction to which the Company is a party if the Director:
1. is party to, or may derive a material benefit from the transaction or has a material financial interest in another party to the transaction; or
  2. is a director, officer, employee or another member of another party (other than a party which is an associated company) or the parent, child, or spouse of another party who may derive a material financial benefit from the transaction; or
  3. is otherwise directly or indirectly materially interested in a transaction.

A Director is not interested in a transaction to which the Company is a party if the transaction comprises only the giving by the Company of security to a third party which has no connection with the Director, at the request of the third party, in respect of a debt or obligation of the Company for which the Director or another person has personally assumed responsibility in whole or in part or under a guarantee, indemnity or security.

- (iv) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employment with the Company or a company in which the Company is interested, such proposals may be divided and a separate resolution considered in relation to each Director. In such case each of the Directors concerned (if not otherwise debarred from voting under these provisions) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (v) A Director may hold any other office or place of profit under the Company (other than auditor) in conjunction with his office of Director on such terms (as to tenure of office or otherwise) as the Board may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company as vendor purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested render the Director liable to account to the Company for any profits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.
- (vi) Any Director may act by himself or 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 provided that nothing in the Articles shall authorise a Director or his firm to act as Auditor to the Company.
- (vii) 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 may be interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him as a director, managing director, manager or other officer or member of any such company.

#### 4.2.13 *Borrowing Powers*

The Directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge its undertaking, property, assets and uncalled capital, and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors shall restrict the Company's borrowings to an aggregate amount equal to 15 per cent of the Net Asset Value of the Company at the time of drawdown.

#### 4.2.14 *Disqualification and Removal of a Director*

A director shall cease to hold office:

- (i) if he (not being a person holding for a fixed term an executive office subject to termination if he ceases for any reason to be a Director) resigns his office by written notice;
- (ii) if he shall have absented himself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of twelve months and the Board resolves that his office shall be vacated;
- (iii) if he dies or becomes of unsound mind or incapable;
- (iv) if he becomes insolvent, suspends payment or compounds with his creditors;
- (v) if he is requested to resign by written notice signed by all his co-Directors;
- (vi) if he is not re-appointed following his retirement pursuant to retirement by rotation provisions in the Articles;
- (vi) if the Company in general meeting by ordinary resolution shall declare that he shall cease to be a Director; or
- (vii) if he becomes ineligible to be a Director in accordance with the Companies Law.

Such removal shall be without prejudice to any claims such Director may have for damages for breach of any contract of service between him and the Company.

#### 4.2.15 *Rights on a Winding up*

On a winding up, after satisfying all liabilities of the Company, the remaining assets of the Company shall be applied to the Shareholders as follows:

- (a) In the event that there are Special Deferred Shares and Ordinary Shares in issue, all surplus assets shall be applied to the Ordinary Shares save to the limited extent specified in Article 5.3.1 (vii).
- (b) In the event that there are Ordinary Shares and Subscription Shares in issue:
  - (i) Ordinary Shares and Subscription Shares shall rank *pari passu* for the return of their paid up nominal capital; and
  - (ii) any surplus shall be applied to the Ordinary Shares and the Subscription Shares in accordance with Article 5.3.3 (x) if applicable and, if not applicable, exclusively to the Ordinary Shares *pari passu*.
- (c) In the event that there are only Ordinary Shares in issue, such shares shall rank *pari passu* for the nominal capital paid up thereon and in respect of any surplus.

## 5. OTHER RELEVANT LAWS AND REGULATIONS

### 5.1 *The City Code*

The City Code of Takeovers and Mergers (the “City Code”) applies to all companies which have their registered offices in United Kingdom, the Channel Islands or the Isle of Man if any of their securities are admitted to trading on a regulated market in the United Kingdom or on any stock exchange in the Channel Islands or the Isle of Man. Accordingly, upon Admission the City Code will apply to the Company. Prospective investors should be aware of the potential implications of certain aspects of the City Code to the Company and/or its Shareholders.

#### *Rule 9*

Under Rule 9 of the City Code, when any person:

- (i) acquires, whether by a series of transactions over a period of time or not, an interest in shares (as defined in the City Code) which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or



- (ii) together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, such a person shall extend offers to the holders of any class of equity share capital whether voting or non-voting and also to the holders of any other class of transferable securities carrying voting rights (a “Mandatory Offer”). A Mandatory Offer must be in cash and at the highest price paid within the preceding 12 months for any interest in shares in the Company by the person required to make the offer or any person acting in concert with them.

Where any person who, together with persons acting in concert with him (a “concert party”), holds over 50 per cent. of the voting rights of a company to which the City Code applies, acquires an interest in additional voting shares, then they will not generally be required to make a general offer to the other shareholders to acquire their shares, although individual members of the concert party will not be able to increase their percentage interest in shares through a Rule 9 threshold without the consent of the Panel.

#### *Rule 37*

Under Rule 37.1 of the City Code, when a company purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights of a person or group of persons acting in concert will be treated as an acquisition for the purpose of Rule 9. A person who comes to exceed the limits in Rule 9.1 in consequence of a company’s redemption or purchase of its own shares will not normally incur an obligation to make a Mandatory Offer unless that person is a director, or the relationship of the person with any one or more of the directors is such that the persons is, or presumed to be, acting in concert with any of the directors. However, this exception will not normally apply when a person (or any relevant member of a group of persons acting in concert) has acquired an interest in shares at a time when he had reason to believe that such a redemption or purchase of its own shares by the Company would take place. A person not acting in concert with the directors of a company may, therefore, incur an obligation under Rule 9 to make a general offer to shareholders to acquire their shares if, as a result of the purchase by a company of its own shares, he comes to be interested in 30 per cent. or more of the shares following a buy back and he has acquired an interest in shares after the date when he had no reason to believe that the company would purchase its own shares.

#### 5.2 *Minority Purchase Rights*

There is no provision of the Companies Law or the Articles which provides for the mandatory purchase of Ordinary Shares.

### 6. DIRECTORS’ AND OTHER INTERESTS

The Directors will, immediately upon the Scheme taking effect, be interested in the following number of Ordinary Shares and Subscription Shares immediately following Admission:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares immediately following Admission*</i>	<i>Number of Subscription Shares</i>	<i>Percentage of Subscription Shares immediately following Admission*</i>
Peter O’Connor	–	–	–	–
Richard Bonsor	10,000	0.02	2,000	0.02
Terence Mahony	–	–	–	–
Richard Hotchkis	–	–	–	–
John Hawkins	–	–	–	–

\* Based on the assumption that no Subscription Shares are converted between 30 September 2009 (being the latest practicable date prior to the publication of this document) and the date of implementation of the Scheme.

- 6.1 Save as disclosed in paragraph 6.1, no Director and no connected person of any Director has any interest, the existence of which is known to, or could with reasonable diligence be ascertained by that Director, whether or not held through another party, in the share capital of the Company.
- 6.2 The aggregate amount of remuneration and benefits in kind to be paid to the Directors by the Company for the financial period ending 31 May 2010 is not expected to exceed £99,000. Each of the Directors is entitled to receive £16,500 per annum (save for the Chairman who is entitled to £27,500 per annum and the chairman of the audit committee who is entitled to receive £22,000 per annum). No Director of the Company has waived or agreed to waive future emoluments nor has any Director waives any such emolument during the current financial period. Future amounts of remuneration to be paid to the Directors in consideration for their services to the Company will be determined by the Board in accordance with the Articles.
- 6.3 There are no existing or proposed service contracts, nor have any been entered into since incorporation, between any of the Directors and the Company. The Directors were appointed as non-executive directors for an initial period of three years from 30 September 2009 and their appointment is subject to the Articles. The Directors' appointments can be terminated upon three month's written notice and without compensation. The Directors are entitled to the fees set out above, payable quarterly in arrears, and will be entitled to out of pocket expenses and other expenses incurred in the proper performance of their duties. There are no commission or profit sharing arrangements between the Company and the Directors. None of the Directors is entitled to pension, retirement or similar benefits.
- 6.4 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company. The Company will ensure that appropriate levels of directors and officers' liability insurance for the benefit of the Directors are in place.
- 6.5 None of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company which has been effected by it since its incorporation.
- 6.6 None of the Directors has any potential conflicts of interest between their duties to the Company and their private interests or duties.
- 6.7 As at the date of this document, no Director for at least the previous five years:
- 6.7.1 has any convictions in relation to fraudulent offences;
- 6.7.2 has been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer at the time of any receivership or compulsory or creditors' voluntary liquidation;
- 6.7.3 has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any of his assets;
- 6.7.4 has been subject to any official public incrimination or sanction of him by any statutory or regulatory authority (including designated professional bodies), nor has ever been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.
- 6.8 In addition to their directorships of the Company, the Directors are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships in the past five years:

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Peter O'Connor	Advance Developing Markets Trust Plc ARN Enterprise Fund Optimal Japan, Optimal Japan Long Only & Asia Funds NEO Material Technologies Inc FundQuest Inc	Anglo Eastern Plantations Plc MM Asset Management Limited City Merchants High Yield Trust Plc

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
Richard Bonsor	Advance Developing Markets Trust Plc Hindsight Asia Fund (Cayman) Limited J.O. Hambro Investment Management Limited Johim (Cayman II) Limited Johim (Cayman III) Limited	Baring Chrysalis Fund Hindsight Equity Focus Fund (Cayman) Limited Johim CS Limited Johim (Holdings) Limited
Terence Mahony	Advance Developing Markets Trust Plc F&C Pacific Assets Plc CITIC Capital Management Spencer House Capital Management LLC Polunin Capital Management Caddis Emerging Markets Vietnam Azalea Fund Witenham Mena fund	Investment Manager Selection Limited Atlantis China Fund Ranhill Utilities Bhd. Ranhill Berhad Melewar Industries Bhd. Witenham Latin America fund. Indochina Capital Vietnam Holdings Limited
Richard Hotchkis	FRM Credit Alpha Gottex Market Neutral Jubilee Special Situations PCC Pantheon Asia Fund Limited Pantheon Asia Fund II Limited Pantheon Asia Fund III Limited Pantheon Asia Fund IV Limited Pantheon Europe Fund Limited Pantheon Europe Fund II Limited Pantheon Europe Fund III Limited Pantheon Global Secondary Fund Limited Pantheon Global Secondary Fund II Limited Advance Frontier Markets Fund Third Point Offshore Independent Voting Company Limited PIF GP Limited Alternative Investment Strategies RCAP Guernsey PCC	Dexion Absolute Limited F&C Event Driven Limited
John Hawkins	Consolidated Custodians International Limited Dexion Equity Alternative Limited HSBC Corporate Money Funds Limited HSBC Fund of Funds Limited HSBC Managed Portfolios Limited HSBC Specialist Funds Limited HSBC Investment Solutions PLC Low Carbon Accelerator Limited Morant Wright Japan Income Trust Limited M W Japan Fund Limited P D Star Fund Limited Prana Limited Queen's Walk Investment Limited	Absolute Capital Management Holdings Limited Bermuda International (Dublin) Limited Bermuda International (Guernsey) Limited Bermuda International Investment Management Limited Bermuda International Securities Ltd Bermuda Trust (Guernsey) Limited Bermuda Trust (Jersey) Limited Cedar Partners (Asia) Limited Cedar Partners (Cayman) Limited Classics Fund Limited CPCL (Holdings) Limited Financial Assets Bahrain W.L.L.

<i>Director</i>	<i>Current directorships and partnerships</i>	<i>Past directorships and partnerships</i>
John Hawkins (continued)	Raffles Asia Investment Company Limited SR Global General Partner Limited SR General Partner (Cayman) Limited SR Global (Delaware) LLC SR Phoenicia (Delaware) LLC SR Vista (Delaware) LLC SR Global (Mauritius) Limited SR Global Fund Inc. SR Services Limited SR Phoenicia Inc SR Phoenicia (Mauritius) Limited SR Japan Inc SR Vista Inc SR Vista (Mauritius) Limited SRH General Partner Limited SRH Eclipse Inc. The Greater China Fund, Inc. The Prospect Japan Fund Limited	Financial Assets MENA W.L.L. Global MENA Financial Assets Limited GSC Credit Limited HSBC Global Cash Funds Limited HSBC Investment Management (International) Limited Le Masurier, James & Chinn Limited Lemasco Nominees Limited Management International (Guernsey) Limited MW Nippon Fund Limited New Star Absolute Return Fund PCC Limited SR Investments (L) Limited

## 7. MAJOR INTERESTS

- 7.1 The Company is not aware, as at 30 September 2009 (being the latest practicable date prior to the publication of this document), of any persons who could, directly or indirectly, jointly or severally, exercise control over the Company.
- 7.2 Insofar as is known to the Company as at 30 September 2009 (being the latest practicable date prior to the publication of this document), and on the assumption that there is no change in such interests between 30 September 2009 and Admission, the following persons have interests (whether direct or indirect) and would, immediately upon the Scheme taking effect, comprise three per cent. or more of the Company's Ordinary Share capital:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares immediately following Admission</i>
Lazard Asset Management	15,126,291	23.24
Co-Operative Asset Management	4,420,308	6.79
Derbyshire County Council	3,520,573	5.41
City of London Investment Management Limited	3,267,430	5.02
Legal & General Group Plc	2,585,710	3.97
Reed Elsevier Pension Scheme Trustee Limited	1,970,000	3.03

- 7.3 No Shareholders will have voting rights attached to the Ordinary Shares or Subscription Shares they hold which are different to the voting rights attached to any other Ordinary Shares or Subscription Shares (as the case may be).

## 8. MATERIAL CONTRACTS

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

material or which contain a provision under which the Company has an obligation or entitlement which is material to the Company:

- 8.1 an Investment Management Agreement dated 30 September 2009 between the Company and the Investment Manager, whereby the Company has appointed the Investment Manager, conditionally upon Admission, to act as the manager of the investments and other assets of the Company. The Investment Manager may, subject to overriding principles of suitability and best execution, effect transactions for the Company in which the Investment Manager has an interest, which may involve a potential conflict of interest with the Investment Manager's duty to the Company.

The Investment Manager will be entitled to receive from the Company for its services as investment manager a basic fee and, in certain circumstances, a performance fee. The basic fee will be payable monthly in arrears (but shall accrue from day-to-day and be payable pro rata for any part of a month). This monthly fee will be a sum equal to one twelfth of one per cent. of the Company's Adjusted Market Capitalisation. The Investment Management Agreement defines the "Company's Adjusted Market Capitalisation" as the aggregate closing mid-market price of the Ordinary Shares on the last Business Day of the month or part of a month for which the basic fees is being calculated plus the aggregate amount, if any, paid by the Company in purchasing its own Ordinary Shares at a discount in the twelve month period ending on such Business Day. The amount of any performance fee will be determined accordingly to the formula and subject to the conditions set out in paragraph 2 of Part 2 of this document.

The Investment Management Agreement provides that the Investment Manager will, at its own expense, provide staff and office accommodation and, save as otherwise agreed, bear the expenses of performing its duties under the Investment Management Agreement. The Company will pay, or reimburse to the Investment Manager, all accountancy, legal and the other professional fees and other expenses incurred in connection with the formation and operation of the Company and pursuit of its investment objectives. The Investment Manager will be responsible for travel, accommodation, subsistence and other costs incurred by the Investment Manager in the general course of managing the Company's investment portfolio but the Company will be responsible for such costs reasonably and properly incurred by the Investment Manager in connection with the overseas trips undertaken with the prior approval of the Board specifically to define or promote the Company's strategy with regard to a particular investment or particular investments.

The Investment Management Agreement is terminable by either party thereto on not less than six months' written notice at any time, subject to earlier termination in certain circumstances including certain breaches or the insolvency of either party.

- 8.2 an Administration and Secretarial Agreement dated 30 September 2009 made between the Company and Legis Fund Services Limited, whereby the Administrator was appointed as administrator and company secretary of the Company. The Administrator shall be entitled to receive a monthly fee of £2,500 payable by the Company within 20 Business Days of the end of each month for which the fee applies. The Agreement contains an indemnity in favour of the Administrator against claims by third parties except to the extent that the claim is due to the recklessness, bad faith, negligence, wilful default or fraud of the Administrator. The agreement may be terminated by either party giving the other party not less than 90 days' notice in writing at any time or otherwise in circumstances where either party goes into liquidation or one party fails to remedy a material breach which is capable of being remedied within 30 days of being notified by the other party.

Under the Administration and Secretarial Agreement, the Company has given its consent to the Administrator appointing the UK Administration Agent as its sub-agent to perform certain of the Administrator's functions. Under that sub-agreement, the Administrator will pay the UK Administration Agent a monthly fee equal to one twelfth of 0.1 per cent. of Net Asset Value. The fee will be subject to a cap of £100,000 per annum (adjusted each year to reflect any increase in the UK Retail Price Index). The Administrator can recover this expense from the Company under the Administration and Secretarial Agreement. Pursuant to the Delegation Agreement under which the Company has requested and approved the delegation arrangements, the Company agrees to indemnify the Administrator in respect of all costs, expenses, claims and liabilities incurred pursuant to the Administration and Secretarial Agreement, except to the

extent that such costs, expenses, claims or liabilities have arisen as a result of bad faith, recklessness, gross negligence or wilful default on the part of the Administrator.

- 8.3 the Registrar Agreement dated 30 September 2009, between the Company and Capita Registrars (Guernsey) Limited pursuant to the terms of which the Registrar has been appointed as registrar to the Company subject thereafter to termination on three months' written notice given by either party such notice to expire no earlier than the first anniversary of the date of the Registrar Agreement. Under the Registrar Agreement, the Registrar is entitled to receive a fee of £2 per Shareholder per annum subject to a minimum annual fee of £7,500 together with other agreed transaction charges.
- 8.4 As at the date of this document and save as disclosed in this section, there are no other contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company at any time which contain any provision under which the Company has any obligation or entitlement which is or may be material to the Company.
- 8.5 In addition to the above material contracts, the Company will on or around Admission enter into the Custodian Agreement to be made between the Company and The Northern Trust Company will be The Northern Trust Company was appointed as custodian of the assets of the Company. In its capacity as custodian, The Northern Trust Company will be obliged to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by it or any sub-custodian. The Northern Trust Company will receive annual fees comprising an account fee of £2,500 per account per annum, principal/income split of £1,250 per account per annum and single line items (unit trust) reporting of £500 per line per annum. The Northern Trust Company will also receive an asset based fee equal to between 1.00 basis point and 40.00 basis points of the value of the assets of the Company. Transaction based fees will also be payable of between £10 and £125 per transaction. The variable fees are dependent on the countries in which individual holdings are registered. The Custodian will also be entitled to reimbursement of its reasonable out-of-pocket expenses (excluding the fees of any sub-custodian). Fees will be payable quarterly in arrears. The agreement contains an indemnity in favour of the Custodian against claims by third parties except to the extent that the claim is due to the bad faith, negligence, wilful default, or fraud of the Custodian. The Agreement may be terminated by either party giving to the other not less than 30 days' notice in writing at any time.

## **9. WORKING CAPITAL**

The Company believes the working capital available to the Company is sufficient for its present requirements, that is for at least the twelve months from the date of this document.

## **10. CAPITALISATION AND INDEBTEDNESS**

- 10.1 As at the date of this document, the Company has not incurred any indebtedness. The Company has the power to borrow, further details of which are set out under the paragraph headed "Gearing" in Part 1 of this document.
- 10.2 As at the date of this document, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness. Details of the Company's share capital are set out in paragraph 3 of this Part 6.

## **11. NO SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of the Company since the date of incorporation of the Company.

## **12. LITIGATION**

The Company is not nor has been since its incorporation involved in any governmental, legal or arbitration proceedings. So far as the Company is aware, there are no governmental, legal or arbitration proceedings pending or threatened by or against it which may have, or have since the date of incorporation of the Company had, a significant effect on the Company's financial position or profitability.

### **13. INVESTMENT RESTRICTIONS**

- 13.1 It is the Company's intention to observe the investment restrictions necessary to comply with the Listing Rules from time to time in force. The investment restrictions currently in force are as follows:
- 13.1.1 the Company will not invest more than 10 per cent. in aggregate of the value of its gross assets, at the time of Admission or at the time of a new investment, in other investment companies or investment trusts which are listed on the Official List (except to the extent that those investment companies or investment trusts have stated policies to invest no more than 15 per cent. of their gross assets in other investment companies or investment trusts which are listed on the Official List);
  - 13.1.2 the Company will not conduct any trading activity which is significant in the context of the Company as a whole;
  - 13.1.3 it will, at all times, invest and manage its assets:
    - 13.1.3.1 in a way which is consistent with the objective of spreading investment risk; and
    - 13.1.3.2 in accordance with its published investment policy.
- 13.2 In accordance with the requirements of the UKLA the Company will materially alter its investment policy only with the approval of Shareholders by ordinary resolution; such an alteration would be announced by the Company through a Regulatory Information Service.

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Company by an announcement issued through a Regulatory Information Service or by including details of such actions in the Company's annual report and accounts.

### **14. ADDITIONAL INFORMATION RELATING TO ADM**

#### **14.1 *Statutory accounts***

14.1.1 Statutory accounts of ADM for the three financial years ended 31 May 2009, in respect of which ADM's auditor, KPMG Audit plc, gave unqualified opinions that the accounts gave a true and fair view of the state of affairs of ADM and of its total return and were properly prepared in accordance with the Companies Act 1985. The accounts for the years ended 31 May 2007 and 2008 were delivered to the Registrar of Companies. The accounts for the year ended 31 May 2009 will be delivered to the Registrar of Companies following the Company's Annual General Meeting to be held on 29 October 2009. KPMG Audit plc, 8 Salisbury Square, London EC4Y 8BB, is a member of the Institute of Chartered Accountants in England and Wales.

#### **14.2 *Historical financial information relating to ADM***

14.2.1 This document incorporates by reference certain sections of the Annual Report and Accounts of ADM for the financial years ended 31 May 2007, 31 May 2008 and 31 May 2009 respectively. The Annual Reports and Accounts and the unaudited half year reports have each been filed with the FSA and are available, free of charge, from ADM and on the Investment Manager's website at [www.pro-asset.com](http://www.pro-asset.com).

14.2.2 Where the sections incorporated by reference listed below themselves incorporate information by reference, such information does not form part of this document.

14.2.3 The relevant sections being incorporated by reference into this document are:

*Reports and accounts for the financial periods ended*

<i>Nature of information</i>	<i>31 May 2007 Page No(s)</i>	<i>31 May 2008 Page No(s)</i>	<i>31 May 2009 Page No(s)</i>
Income statement Statement of Total Return	18	20	18
Balance sheet	19	21	19
Reconciliation of movements in shareholders' funds	20	22	20
Cash flow statement	21	23	21
Accounting policies	22	24	22
Notes to the accounts	22-27	24-30	22-28
Audit report	17	19	17
Chairman's review/statement	1	1-2	1
Investment manager's report	2-4	3-5	2-5
Directors' report	9-11	10-13	8-11
Directors' remuneration report	13	15	13
Corporate governance report	14-16	16-18	14-16
Related party disclosures	25	28	26

14.3 *General*

14.3.1 Save as disclosed in ADM's annual accounts for the financial years ended 31 May 2007, 31 May 2008 and 31 May 2009 (which have been incorporated by reference into this document), for the period covered by the historical financial information noted above and for the period from 1 June 2009 to the date of this document, ADM has not entered into any transaction with a related party (as such term is defined in International Accounting Standard (IAS) 24).

14.3.2 ADM has complied in full with the requirements of the AIC Code and the relevant provisions of section 1 of the Combined Code during the financial period ended 31 May 2009 and during the period from 1 June 2009 to the date of this document except as set out below.

The Combined Code includes provisions relating to: (i) the role of the chief executive; (ii) executive directors' remuneration; and (iii) the need for an internal audit function. For the reasons set out in the AIC Guide, and in the preamble to the Combined Code, the ADM directors do not consider these provisions to be relevant to the position of ADM as it is an externally managed investment company. ADM has therefore not reported further in respect of these provisions.

14.3.3 Save for the Proposals there has been no significant change in the financial or trading position of ADM since 31 May 2009.

14.3.4 In the financial year ended 31 May 2009, each of the ADM directors received the following directors' fees:

<i>Name</i>	<i>Fee received (£)</i>
Peter O'Connor	27,500
James Robinson	22,000
Terence Mahony	16,500
Richard Bonsor	16,500

14.3.5 None of the ADM directors is entitled to pension, retirement or similar benefits.

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



any time in the 12 months immediately preceding the date of this document, in each case which may have, or have had in the recent past, a significant effect on ADM's financial position or profitability.

14.3.7 None of the ADM directors has any conflict of interest between any duties to ADM and his private interests or any other duties. The Investment Manager (in its capacity as investment manager of ADM) manages or advises other investment vehicles, which may lead to conflicts of interest with ADM or may restrict the time it spends on ADM's investments.

## **15. GENERAL**

- 15.1 Save in respect of the Issue, the Ordinary Shares and Subscription Shares have not been marketed to, and are not available in whole or in part to, the public in conjunction with the application to have the Ordinary Shares and Subscription Shares admitted to the Official List.
- 15.2 No application is being made for the Ordinary Shares and Subscription Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the London Stock Exchange.
- 15.3 CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. The Articles permit the holding of Ordinary Shares and Subscription Shares under the CREST system. The Directors intend to apply for the Ordinary Shares and Subscription Shares to be admitted to CREST with effect from Admission. Accordingly it is intended that settlement of transactions in Ordinary Shares and Subscription Shares following Admission may take place within the CREST system if the relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so upon request to Capita Registrars (Guernsey) Limited.
- 15.4 Save for the entry into by the Company of the Investment Management Agreement (as summarised at paragraph 8.1 above) and the appointment letters relating to the Directors (as summarised at paragraph 6.4 above), the Company has not since incorporation entered into a transaction with a related party (as such term is defined in International Accounting Standard (IAS) 24).
- 15.5 The Company does not have nor has it had since incorporation any employees and does not own any premises.
- 15.6 The Investment Manager was incorporated on 31 October 1996 in England and Wales as a private limited company with registration number 03272302. The Investment Manager operates under the UK Companies Act 1985, as amended. The registered office of the Investment Manager is at 145-157 St. John Street, London EC1V 4RU, United Kingdom. The Investment Manager is regulated and authorised by the FSA.
- 15.7 The Administrator was incorporated as a limited liability company in Guernsey on 19 October 1988 with registered number 19606. The Administrator is licensed by the Guernsey Financial Services Commission to carry out, *inter alia*, the activities of administration, subscription and promotion, under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended). The Administrator is subject to financial provisions as set out in "The Guidance Notes on the Prevention of Money Laundering and Countering the Financing of Terrorism" issued by the Guernsey Financial Services Commission as referred to in the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Regulations 2002, as amended and the Terrorism and Crime (Bailiwick of Guernsey) Law 2002. The registered office of the Administrator is at 1 Le Marchant Street, St Peter Port, Guernsey GY1 4HP, Tel +44 (0) 1481 726034, Fax +44 (0) 1481 726029. The Administrator is licensed and regulated by the Guernsey Financial Services Commission.
- 15.8 The Custodian was established on 7 August 1889 under the laws of the State of Illinois in the United States of America as a banking corporation with bank charter number 2016 and its current office is at 50 South LaSalle Street, Chicago, Illinois 60675, USA (telephone +1 312 630

6000). Its principal place of business in the United Kingdom is at 50 Bank Street, London, E14 5NT (telephone +44 20 7982 2000). It is authorised and regulated by the FSA and operates under the FSMA.

15.9 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

## **16. CONSENT**

Arbuthnot, whose registered office is at Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR and which is acting as sponsor and financial adviser to the Company in relation to the Proposals, has given and has not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which it appears.

## **17. AVAILABILITY OF PROSPECTUS**

Copies of this document are available for viewing, free of charge during normal business hours, at the Document Viewing Facility, the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS and at the Company's registered office at 1 Le Marchant Street, St. Peter Port, Guernsey GY1 4HP.

## **18. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of the Company and the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for twelve months from the date of this document:

- (a) the Memorandum and Articles of Incorporation of the Company;
- (b) the material contracts referred to in paragraph 8 above;
- (c) the consent letter from Arbuthnot referred to in paragraph 16 above;
- (d) Directors' letters of appointment referred to in paragraph 6.3 above; and
- (e) this document.

The Register of Members of the Company will be available for inspection at the registered office of the Registrar during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted).

2 October 2009

## PART 7

### DEFINITIONS

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

“ADM”	Advance Developing Markets Trust plc
“Administration and Secretarial Agreement”	the administration agreement entered into between the Company, the Investment Manager and the Administrator, the terms of which are summarised in paragraph 8.2 of Part 6 of this document
“Administrator” or “Secretary”	Legis Fund Services Limited
“Admission”	the admission of the Ordinary Shares and Subscription Shares to the Official List and to trading on the London Stock Exchange’s main market for listed securities, expected to be 10 November 2009
“ADM Ordinary Shares”	ordinary shares of 1p each in the share capital of ADM
“ADM Ordinary Shareholders”	holders of ADM Ordinary Shares
“ADM Shareholders”	together ADM Ordinary Shareholders and ADM Subscription Shareholders
“ADM Shares”	together ADM Ordinary Shares and ADM Subscription Shares
“ADM Subscription Shareholders”	holders of ADM Subscription Shares
“ADM Subscription Shares”	subscription shares of 1p each in the share capital of ADM
“AIC”	the Association of Investment Companies
“AIC Code”	the AIC Code of Corporate Governance
“AIC Guide”	the AIC Corporate Governance Guide for Investment Companies
“Arbuthnot”	Arbuthnot Securities Limited
“Articles of Incorporation” or “Articles”	the articles of incorporation of the Company
“Benchmark Index”	the S&P/IFCI Emerging Markets Composite Index
“Board”	the Directors of the Company from time to time
“Business Day”	any day on which banks are open for business in London and Guernsey excluding Saturdays, Sundays and public holidays
“certificated” or “in certificated form”	a Share (including any class thereof) which is not in uncertificated form
“City Code”	the City Code on Takeovers and Mergers
“COBS Rules”	the Conduct of Business Rules of the FSA
“Combined Code”	the Corporate Governance Code issued by the Financial Reporting Council

“Companies Law”	The Companies (Guernsey) Law, 2008, as amended
“Company”	Advance Developing Markets Fund Limited
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations)
“CREST Guernsey Requirements”	rule 8 and such other rules and requirements of CRESTCo as may be applicable to issues by a Guernsey company from time to time specified in the CREST Manual
“CRESTCo”	Euroclear UK & Ireland Limited
“CREST Manual”	the compendium of documents entitled CREST Manual issued by CRESTCo from time to time
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended) of the United Kingdom
“Custodian”	The Northern Trust Company
“Custody Agreement”	the custody agreement to be entered into between the Company and the Custodian the terms of which are summarised in paragraph 8.5 of Part 6 of this document
“Deed of Indemnity”	the deed of indemnity to be entered into between the Company and the Liquidators in connection with the Scheme further details of which are summarised in Part 3 of this document
“Diluted NAV per Share”	the Net Asset Value divided by the number of Ordinary Shares in issue (other than Ordinary Shares held in treasury) adjusted to take into account the dilution (if any) which would arise from the exercise of the Subscription Rights attaching to all of the Subscription Shares then in issue
“Directors”	the board of directors of the Company from time to time
“EEA”	the European Economic Area
“Effective Date”	the date on which the Scheme becomes effective (which is expected to be 9 November 2009)
“EU”	European Union
“Existing Funds”	the existing funds managed by the Investment Manager, being ADM, the Advance Emerging Markets Fund, an open ended investment company listed on the Dublin Stock Exchange and the Advance Frontier Markets Fund Limited, a closed-ended investment company quoted on the AIM market of the London Stock Exchange
“FSA”	the Financial Services Authority
“FSMA”	Financial Services and Markets Act 2000
“GFSC”	the Guernsey Financial Services Commission
“Guernsey”	the Bailiwick of Guernsey, its territories and dependencies
“IFRS”	International Financial Reporting Standards

“in uncertificated form” or “uncertificated”	recorded in the register of members of the Company (as appropriate) as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“Investee Manager”	the investment manager of any of the funds in which the Company invests
“Investment Company Act”	the United States Investment Company Act 1940, as amended
“Investment Management Agreement”	the investment management agreement entered into between the Company and the Investment Manager and dated 30 September 2009, the terms of which are summarised in paragraph 8.1 of Part 6 of this document
“Investment Manager”	Progressive Developing Markets Limited
“Investment Team”	the individuals described in Part 2 of this document who are employed by the Investment Manager
“ISA”	Individual Savings Account
“Issue”	the issue of Ordinary Shares and Subscription Shares in connection with the Scheme
“Listing Rules”	the listing rules of the UK Listing Authority made under section 73A of the FSMA
“Liquidation Fund”	the liquidation fund to be retained by the Liquidators of ADM in accordance with the Scheme
“Liquidators”	the liquidator(s) for the time being of ADM being initially the persons to be appointed jointly and severally at the general meeting of ADM, notice of which is set out in the Scheme Circular, or, where applicable, any adjournment thereof
“London Stock Exchange”	London Stock Exchange plc
“NAV” and “Net Asset Value”	the value, as at any date, of the assets of the Company after deduction of all liabilities (including provisions and accrued liabilities) calculated in the manner described in paragraph 2 of Part 4 of this document
“NAV per Share”	the Net Asset Value divided by the number of Ordinary Shares in issue (other than Ordinary Shares held in treasury) at the date of calculation
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	the Ordinary Shares of 1p each in the capital of the Company
“Proposals”	the proposals for the voluntary winding-up of ADM and the proposed roll-over of ADM Ordinary Shares and ADM Subscription Shares into Ordinary Shares and Subscription Shares respectively, referred to in Part 3 of this document and as more fully described in the Scheme Circular
“Prospectus”	this document issued by the Company dated 2 October 2009 prepared in accordance with the Listing Rules and the Prospectus Rules of the Financial Services Authority

“Prospectus Rules”	the prospectus rules made by the FSA under section 73A of FSMA
“Record Date”	the record date for the Scheme, being the close of business on 6 November 2009
“Registrar”	Capita Registrars (Guernsey) Limited
“Registrar Agreement”	the registrar agreement entered into between the Company and the Registrar the terms of which are summarised in paragraph 8.3 of Part 6 of this document
“Regulatory Information Service”	any of the services set out in Appendix 3 of the Listing Rules
“SSAS”	a small self-administered scheme available in the UK
“Scheme”	the scheme of reconstruction implementing the Proposals referred to in Part 3 of this document and as more fully described in the Scheme Circular
“Scheme Circular”	the circular to ADM Shareholders, in connection with the Proposals
“Shareholders”	together holders of Ordinary Shares and Subscription Shares
“Shares”	together the Ordinary Shares and Subscription Shares
“SIPP”	a self-invested personal pension scheme available in the UK
“Subscription Shares”	subscription shares of 1p each in the capital of the Company
“Transfer Agreement”	the agreement to be entered into between the Liquidators (in their personal capacity and on behalf of ADM) and the Company providing, <i>inter alia</i> , for the transfer of assets, other than the Liquidation Fund, from ADM to the Company
“UK Administration Agent”	Cavendish Administration Limited
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UKLA” or “UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for listing pursuant to Part VI of FSMA
“United States”	United States of America
“VAT”	value added tax
“£”, “Sterling” or “pounds Sterling”	the lawful currency of the United Kingdom

