

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

Application has been made for the whole of the ordinary share capital of Aurora Russia Limited (the “Company”), in issue and to be issued pursuant to the Placing, to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM on 24 March 2006.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Neither the London Stock Exchange nor the UK Listing Authority have examined or approved the contents of this document. The AIM Rules are less demanding than those of the Official List of the UK Listing Authority. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. No application has been made for the Ordinary Shares to be listed on any other recognised investment exchange.

Although the whole text of this document should be read, the attention of persons receiving this document is drawn to the section headed “Risk Factors” contained in Part 3 of this document. All statements regarding the Company’s business, financial position and prospects should be viewed in light of the risk factors set out in Part 3 of this document.

This document is an AIM Admission Document which has been drawn up in accordance with the AIM Rules. Application has been made for consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 (as amended) to the issue of this document and associated raising of funds. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of the statements made or the opinions expressed with regard to the Company.

AURORA RUSSIA LIMITED

(an investment company incorporated in Guernsey and registered with number 44388)

PLACING of 75,000,000 Ordinary Shares at a price of £1.00 per Ordinary Share and ADMISSION TO TRADING ON AIM

Nominated Adviser

Investec Bank (UK) Limited

Joint Brokers

Investec Bank (UK) Limited

Altium Capital Limited

Share Capital

(immediately following the Placing and on Admission)

<i>Authorised</i>			<i>Issued and Fully Paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£2,000,000	200,000,000	Ordinary Shares of £0.01 each	£750,000	75,000,000

The Company and the Directors whose names appear on page 3 under the heading “Directors and Advisers”, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (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.

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

Investec Bank (UK) Limited and Altium Capital Limited, which are regulated by the Financial Services Authority, are acting for the Company and no one else in connection with the Placing and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Investec Bank (UK) Limited or Altium Capital Limited, as the case may be, or for providing advice in relation to the Placing and Admission.

The Placing is conditional, *inter alia*, on Admission taking place on or before 24 March 2006 (or such later date as the Company, Investec Bank (UK) Limited and Altium Capital Limited may agree). The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after the date of this document.

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DIRECTORS AND ADVISERS

Directors	Sir Trevor Chinn CVO John McRoberts James Cook Cowasji Magol Stephen Coe Ben Morgan Grant Cameron	<i>(Non-Executive Chairman)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i> <i>(Non-Executive Director)</i>
	All of the registered office	
Registered Office	Investec House La Plaiderie St. Peter Port Guernsey GY1 3RP	
Manager	Aurora Investment Advisors Limited Investec House La Plaiderie St. Peter Port Guernsey GY1 3RP	
Investment Advisor	Aurora Russia (Cyprus) Limited 2 – 4 Arch. Makarios III Avenue Capital Centre, 9th Floor Nicosia 1065 Cyprus	
Nominated Adviser	Investec Bank (UK) Limited 2 Gresham Street London EC2V 7QP	
Joint Brokers	Investec Bank (UK) Limited 2 Gresham Street London EC2V 7QP Altium Capital Limited 30 St James's Square London SW1Y 4AL	
Administrator and Secretary	Investec Administration Services Limited Investec House La Plaiderie St. Peter Port Guernsey GY1 3RP	
Registrar	Capita IRG (CI) Limited 2nd Floor, No. 1 Le Truchot St. Peter Port Guernsey GY1 4AE	
Reporting Accountants	Deloitte & Touche Regency Court, Gategny Esplanade St. Peter Port Guernsey GY1 3HW	

Auditors	Deloitte & Touche Regency Court, Glatigny Esplanade St. Peter Port Guernsey GY1 3HW
UK Solicitors to the Company	White & Case LLP 5 Old Broad Street London EC2N 1DW
Russian Solicitors to the Company	White & Case LLC 4 Romanov Pereulok 125009 Moscow Russia
Guernsey Advocates to the Company	Carey Olsen 7 New Street St. Peter Port Guernsey GY1 4B7
Solicitors to the Nominated Adviser and Joint Brokers	Olswang 90 High Holborn London WC1V 6XX
CREST Service Provider	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
UK Transfer Agent	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

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

“Act”	the Companies Act 1985 (as amended)
“Administration Agreement”	the administration and secretarial agreement dated 20 March 2006 between the Company (1) and the Administrator (2), a summary of which is set out in paragraph 9 of Part 6 of this document
“Administrator”	Investec Administration Services Limited based at Investec House, La Plaiderie, St. Peter Port, Guernsey GYI 3RP
“Admission”	the admission of the Ordinary Shares, in issue and to be issued pursuant to the Placing, to trading on AIM becoming effective pursuant to paragraph 6 of the AIM Rules
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing the admission to and the operation of AIM
“Altium”	Altium Capital Limited (Registered No. 1072627, England) whose registered office is at 30 St. James’s Square, London SW1Y 4AL
“Articles”	the articles of association of the Company, a summary of which is set out in paragraph 5 of Part 6 of this document
“Aurora Russia” or the “Company”	Aurora Russia Limited (an investment company incorporated in Guernsey and registered with number 44388) whose registered office is at Investec House, La Plaiderie, St. Peter Port, Guernsey GYI 3RP
“Board” or “Directors”	the directors of the Company for the time being and (where the context requires) comprises those persons as at the date of this document, whose names appear on page 3 of this document
“Broker Agreement”	the broker agreement dated 20 March 2006 between the Company (1), Altium (2) and the Directors (3), a summary of which is set out in paragraph 9 of Part 6 of this document
“CIS”	the Commonwealth of Independent States
“CREST”	the relevant system (as defined in the Regulations) for the paperless settlement of share transfers and the holding of shares in Uncertificated Form in respect of which CRESTCo is the Operator (as defined in the Regulations)
“CRESTCo”	CRESTCo Limited
“CREST Guernsey Requirements”	Rule 8 and such other rules and requirements of CRESTCo as may be applicable to issuers as from time to time specified in the document entitled “CREST Reference Manual” issued by CRESTCo
“CREST Service Provider”	Capita Registrars

“Enterprise Value”	the capital required to acquire the equity of a target on a cash and debt free basis, calculated by adding a company’s equity value, preferred stock and outstanding debt and subtracting the cash and cash equivalents
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services Markets Act 2000, as amended
“GFSC”	the Guernsey Financial Services Commission
“Group”	the Company and its subsidiary undertakings from time to time
“IAS”	International Accounting Standard
“Investec” or “Nominated Adviser”	Investec Bank (UK) Limited (company number: 489604) whose registered office is at 2 Gresham Street, London EC2V 7QP
“Investment Advisor”	Aurora Russia (Cyprus) Limited (a company incorporated in Cyprus and registered with number 173274) whose registered office is at 2 – 4 Arch. Makarios III Avenue, Capital Centre, 9th Floor, Nicosia 1065, Cyprus
“Joint Brokers”	Investec and Altium
“Law”	The Companies (Guernsey) Laws 1994 to 1996, as amended
“London Stock Exchange”	London Stock Exchange PLC
“Management Agreement”	the management agreement dated 20 March 2006 between the Company (1) and the Manager (2), a summary of which is set out in paragraph 9 of Part 6 of this document
“Manager”	Aurora Investment Advisors Limited (a company limited by shares incorporated in Guernsey and registered with number 44387) whose registered office is at Investec House, La Plaiderie, St. Peter Port, Guernsey GY1 3RP
“Manager Option”	the option over Ordinary Shares representing 20 per cent. of the issued share capital of the Company as at the date of exercise granted to the Manager pursuant to the Option Agreement
“Nominated Adviser and Broker Agreement”	the agreement dated 20 March 2006 between the Company (1), the Directors (2) and the Nominated Adviser (3), a summary of which is set out in paragraph 9 of Part 6 of this document
“Official List”	the Official List of the UK Listing Authority
“Offshore Registrar Agreement”	the agreement between the Company (1) and the CREST Service Provider (2), a summary of which is set out in paragraph 9 of Part 6 of this document
“Option Agreement”	the option agreement between the Manager (1) and the Company (2) dated 20 March 2006, a summary of which is set out in paragraph 9 of Part 6 of this document
“Ordinary Shares”	ordinary shares of £0.01 each in the capital of the Company
“Placing”	the placing by Investec and Altium of the Placing Shares at the Placing Price pursuant to the Placing Agreement, as described in this document

“Placing Agreement”	the placing agreement dated 20 March 2006 between the Company (1), the Directors (2), the Manager (3), Altium (4) and Investec (5), a summary of which is set out in paragraph 8 of Part 6 of this document
“Placing Price”	£1.00 per Placing Share
“Placing Shares”	75,000,000 new Ordinary Shares to be issued in connection with the Placing
“Prohibited Territories”	USA, Australia, Canada, Japan, the Republic of Ireland, the Republic of South Africa and their respective territories and possessions
“Registrar”	Capita IRG (CI) Limited of 2nd Floor, No. 1 Le Truchot, St. Peter Port, Guernsey GY1 4AE
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Shareholders”	holders of Ordinary Shares
“Sterling” or “£”	pounds sterling, the lawful currency for the time being of the UK
“subsidiary undertakings”	has the same meaning given to that term under IAS 27, Consolidated and Separate Financial Statements
“Takeover Code”	the City Code on Takeovers and Mergers
“Takeover Panel”	the Panel on Takeovers and Mergers established for the purposes of the Takeover Code
“total shareholder return”	the total shareholder return provided to shareholders of a company from the time the investment is made comprising of the growth in the share price and dividend income on the shares
“UK”	United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority”	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“UK Transfer Agent”	Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
“Uncertificated Form”	shares recorded in the Company’s register of Shareholders as being held in uncertificated form, title to which may be transferred by means of an instruction issued in accordance with the rules of CREST
“USA”	the United States of America, its territories and possessions, any state in the United States of America, the District of Columbia and all other areas subject to its jurisdiction
“VAT”	value added tax or any equivalent tax in any jurisdiction

KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived.

Overview

Aurora Russia Limited is a newly incorporated investment company established to acquire interests in small and mid-sized private companies in Russia which are focused on the financial, business and consumer services sectors.

The Company

The Company is incorporated in Guernsey and application has been made for the Company to be authorised by the GFSC under The Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 (as amended). Admission is conditional upon the receipt of such authorisation from the GFSC. The Company has a majority of non-UK based Directors and is managed and controlled from Guernsey.

The Company intends to adopt a group structure typically employed by overseas owners of Russian investments. The investments of the Company may be owned directly or through special purpose companies incorporated in a jurisdiction which enjoys a favourable double tax treaty with Russia, such as Cyprus.

Investment Strategy

The strategy of Aurora Russia is to make equity or equity related investments in small and mid-sized private Russian companies focused on the financial, business and consumer services sectors where the Directors believe there is potential for growth together with viable exit opportunities within two to four years of making such investments. The Company intends to provide its investee companies with the necessary capital and the Manager shall provide hands-on operational support to deliver significant step changes in performance and value creation.

Aurora Russia will target companies with Enterprise Values of up to approximately £100 million and will seek to secure blocking or controlling stakes and board representation. Aurora Russia intends generally to take equity stakes of greater than 20 per cent. in each portfolio company. It is anticipated that each equity investment will typically be between £5 million and £25 million. The Directors are currently considering investing in ten to twelve such investee companies.

The Manager

The Company will be advised by the Manager pursuant to the terms of the Management Agreement. The ordinary shares of the Manager are owned by James Cook, John McRoberts and Michael Hough. The Manager is responsible for identifying and developing investment opportunities for Aurora Russia. The two executive directors of the Manager who will be responsible for providing the investment advice to the Company are James Cook and John McRoberts who together have over 20 years of experience working with approximately 120 small and mid-sized companies in Russia.

Reasons for Admission and the Placing

The Directors are seeking admission to AIM in order to raise £75,000,000 (before expenses) through the placing of 75,000,000 Placing Shares at £1.00 for each Placing Share, which will be used (a) to fund investments in accordance with the investment policy and strategy outlined in this document, (b) to pay ancillary costs and (c) for general corporate purposes.

Risk Factors

Prior to investing in the Company, prospective investors should consider, together with the other information contained in this document, the risks and other factors attaching to an investment in the Company, including in particular, the factors set out in "Risk Factors" in Part 3 of this document.

PLACING STATISTICS

Placing Price	£1.00
Number of Placing Shares	75,000,000
Number of Ordinary Shares in issue immediately following Admission*	75,000,000
Gross proceeds of the Placing receivable by the Company*	£75,000,000
Net proceeds of the Placing receivable by the Company after expenses*	£70,500,000
Market capitalisation of the Company at the Placing Price*	£75,000,000

*assuming the Placing is fully subscribed

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	2006
Publication of this document	20 March
Effective issue date of the Placing Shares	24 March
Admission effective and dealings commence in the Ordinary Shares on AIM	24 March
CREST accounts credited (as applicable)	24 March
Definitive share certificates dispatched (as applicable)	7 April

PART 1

INFORMATION ON THE COMPANY

1. Overview

Aurora Russia is a newly incorporated investment company established to acquire interests in small and mid-sized private companies in Russia which are focused on the financial, business and consumer services sectors. The Directors believe that the Russian market has exciting growth prospects and that Aurora Russia and the Manager are well placed to identify and evaluate appropriate investment opportunities which fall within its chosen sectors.

2. The Investment Strategy and Policies

Investment Strategy

The strategy of Aurora Russia is to make equity or equity related investments in small and mid-sized private Russian companies focused on the financial, business and consumer services sectors where the Directors believe there is potential for growth together with viable exit opportunities within two to four years of making such investments. The Company intends to provide its investee companies with the necessary capital and the Manager shall provide hands-on operational support to deliver significant step changes in performance and value creation. The Company aims to be the investor of choice for small and mid-sized private Russian companies seeking capital.

The Manager will work closely with the management of each investee company to create value by focusing on driving growth through revenue creation, margin enhancement and extracting cost efficiencies, as well as implementing appropriate capital structures to enhance returns.

The Directors intend to make investments in companies or businesses with competent and motivated management which have a presence in growing markets, which enjoy brand recognition, have scalable business models, have strong relationships with customers and suppliers and with transparent accounting policies.

Aurora Russia will target companies with Enterprise Values of up to approximately £100 million and will seek to secure blocking or controlling stakes and board representation. Aurora Russia intends generally to take equity stakes of greater than 20 per cent. in each portfolio company. It is anticipated that each equity investment will typically be between £5 million and £25 million. The Directors are currently considering investing in ten to twelve such investee companies and intend that the funds of the Company will be substantially invested within 18 months of Admission.

The Directors will, when appropriate, consider how best to realise value for Shareholders whether through a trade sale, flotation or secondary refinancing of the investee companies. The proposed exit route will form a key consideration of the initial investment analysis.

Investment Policy

In assessing the companies in which to make an investment, the Manager and the Directors will give consideration to, amongst other factors, each entity's medium to long term prospects and the extent to which they believe the entity displays the following characteristics:

- Competent and motivated management
 - Dynamic management teams
 - Challenging performance based remuneration structures
- Accounting transparency
 - International Financial Reporting Standards
- Growth potential
 - Operate within fragmented markets with consolidation opportunities
 - Ability to create value through economies of scale

- Blue-chip clients and relationships capable of further development
- Control over business elements that drive competitive advantage and increase market share
- Clear advantages in distribution and brand recognition
- First entry advantage
- Viable exit opportunities, including:
 - Trade Sale
 - Flotation
 - Secondary re-financing

Although these characteristics are important criteria for assessing a prospective investment, every investment opportunity will also be analysed by reference to the potential risks and rewards of the investment itself and its valuation; an investment may be made even in the absence of some of these characteristics.

In general, investments will only be made when the Manager and the Directors believe that the investments have a reasonable prospect of an exit or that the investment is expected to return capital and an attractive dividend or profit stream within a reasonable period of time.

Investment Valuation Policy

The portfolio investments of the Company will be initially recognised at cost as of the date of investment. The portfolio investments will subsequently be re-measured at fair value every six months by the Directors using the various methods described below. Unrealised gains and losses arising from the revaluation of investments at the year end will be taken directly to the income statement.

IAS 39 requires investments to be held at fair value, or at cost less provision for impairment in value where no reasonable range of fair values can be determined. Fair value will be determined by the Directors as follows:

- *Unquoted securities* – will be valued based on the realisation value which will be estimated by the Directors with prudence and good faith. The Directors will take into account the guidelines and principals for valuation of portfolio companies set out by the European Venture Capital Association, with particular consideration of the following factors:
 - Investments will be reported at fair value at the reporting date; fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
 - In estimating fair value for an investment, the Directors will apply a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations.
 - An appropriate methodology will incorporate available information about all factors that are likely materially to affect the fair value of the investment. The valuation methodologies will be applied consistently from period to period, except where a change would result in a better estimate of fair value. Any changes in valuation methodologies will be clearly stated.

Listed below are the most widely used methodologies. In assessing which methodology is appropriate, the Directors will be predisposed towards those methodologies that draw on market-based measures of risk and return.

- Cost of recent investment
- Earnings multiple
- Net assets
- Discounted cash-flows
- Industry valuation benchmarks
- Available market prices

Methodologies utilising discounted cash-flows and industry benchmarks will rarely be used in isolation of the market-based methodologies and then only with extreme caution. These methodologies however, may be useful as a cross-check of values estimated using the market-based methodologies.

- *Securities quoted or traded on a recognised stock exchange or other regulated market* – will be valued by reference to the last available bid price and the size of the holding provided, in any event, that the Directors believe such a price to be a *bona fide* market price. Securities which are quoted but not marketable due to securities law restrictions will be valued at an appropriate discount rate from the public market price.

3. The Structure

The Company is incorporated in Guernsey and application has been made for the Company to be authorised by the GFSC under The Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 (as amended). The Company has a majority of non-UK based Directors and is managed and controlled from Guernsey.

The Company intends to adopt a group structure typically employed by overseas owners of Russian investments. The investments of the Company may be owned directly or through special purpose companies incorporated in a jurisdiction which enjoys a favourable double tax treaty with Russia, such as Cyprus. A double tax treaty between Russia and Cyprus has been effective since 1998. Under this treaty, no withholding tax would be payable by any subsidiaries of Aurora Russia incorporated and resident for tax purposes in Cyprus on any interest received from Russian entities and withholding tax would be payable at 5 per cent. on dividends received from Russian entities, provided that certain conditions are fulfilled. The Company has applied for exempt tax status in Guernsey, further details of which are set out in Part 5 of this document.

The Company will be advised by the Manager pursuant to the terms of the Management Agreement. The Manager will be advised by the Investment Advisor (which is owned by James Cook (as to 47.5 per cent.), John McRoberts (as to 47.5 per cent.) and Michael Hough (as to five per cent.)), which will have a representative office in Russia. The Manager will review investment information prepared by the Investment Advisor in respect of any proposed investment opportunity.

4. Investment Process

The Directors will be responsible for the determination of the Company's investment strategy. In order to execute this strategy, the Company has appointed the Manager to act as its investment adviser pursuant to the terms of the Management Agreement. The Manager will have responsibility for identifying new investment opportunities for the Company that fall within its investment strategy. Once a potential investment opportunity has been identified, the Manager will carry out extensive due diligence and evaluate the opportunity. If the results of such due diligence are acceptable to the Directors, the Manager shall, via the representative office of the Investment Advisor in Moscow, assist in the negotiation of the terms of the investment with the relevant counterparty, based on the specific instructions from the Company. Once this process is complete, the Manager will determine whether or not to recommend the investment to the Company. If recommended, the proposed investment will be presented for approval by the Directors who will make the final investment decision on whether or not to pursue the proposal. Any decision on whether or not to invest in any such opportunity must be approved by a majority of the Directors at a meeting of the Board. The minimum quorum requirement for the approval of any investment decision is five Directors. Alternatively, any five Directors may approve any such investment decision by written resolution.

5. Proposed Investments

The Manager has identified and, in most cases, initiated discussion with a number of potential investee companies which the Manager believes fall within the Company's investment criteria. There is, however, no guarantee that any of these investment opportunities will be completed by the Company. The types of investment opportunities identified by the Manager include:

- A money transfer business providing money transfer services primarily to immigrant workers living in Russia who send money to their families living in a number of former Soviet Republics. This company is currently part of a bank and is being “spun off” as an independent entity. This company intends to roll out a network of its own outlets in Russia and CIS and to increase its agency network. The company’s shareholders intend to effect a flotation of this business within the next two years.
- A document storage business which provides outsourced facilities to corporate clients for the storage and management of their documentation. With the cost of real estate in central Moscow reaching levels on average of US\$700 per square metre, the Directors believe that offsite management and retention is becoming increasingly important to Moscow based businesses. A capital injection by Aurora Russia would be used, *inter alia*, to enable the company to expand its operations.
- An auto leasing business which provides vehicle fleet management services mainly to multinational corporate clients. Services include the provision of a fully managed and funded fleet of vehicles on an operating lease basis to corporate clients, including maintenance and insurance thereof. A capital injection by Aurora Russia would be used, *inter alia*, to improve fleet acquisition terms, increase the geographical spread of the business and increase the scale of its operations.
- A financial supermarket which provides consumers with residential mortgages (including equity release loans), credit cards and personal loans. This company intends to invest in an existing banking operation which will roll out retail units initially in Moscow and St. Petersburg to help satisfy the growing demand for these products. With the Russian mortgage market expected to grow at approximately 70 per cent. each year until 2010, the Directors believe that there is an opportunity to provide (a) consumers access to mortgages through “user friendly” retail locations and (b) equity release loans to homeowners which would be used to fuel consumer demand in Russia.

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

6. The Board

Members of the Board

The Board of Aurora Russia comprises seven directors. Brief biographies of the Directors are set out below:

Sir Trevor Chinn CVO (aged 70) – Non-Executive Chairman

Sir Trevor Chinn is currently Chairman of the Automobile Association. He became Chairman in October 2004 when it was acquired by CVC Capital Partners and Permira. He is also Chairman of AIM-listed ITIS Holdings plc, a traffic information company and Chairman of AIM-listed Vigilant Technology Ltd, a company which designs and manufactures ‘intelligent’ solutions for the high-end CCTV security and surveillance market. He is a Member of the Advisory Board of CVC Capital Partners. He was Chairman of Kwik-Fit Group Limited from November 2002 when it was acquired by CVC until August 2005 when it was sold. Sir Trevor Chinn retired in April 2003 as Chairman of RAC plc (formerly Lex Service PLC) after 47 years service. In 1999 he was appointed by the Deputy Prime Minister, John Prescott, as Vice Chair of the Commission for Integrated Transport, stepping down in June 2004. He was also asked to form and continues to chair the Motorists’ Forum. He is a Director of Automotive Skills, the Skills Council for the retail automotive industry. He was awarded the CVO in 1989 and a knighthood in 1990 for his charitable activities.

John McRoberts (aged 45) – Non-Executive Director

Mr McRoberts has over nine years experience providing corporate finance advice to companies operating in Russia. In 1998, Mr McRoberts set up the corporate finance business of Altium (formerly Apax Partners Corporate Finance) in Russia and managed the business until 2003. He has completed a number of transactions in Russia, including several in the media and services sectors. Mr McRoberts has recently resigned as the head of the Corporate Finance Advisory Practice at Deloitte & Touche in Moscow to focus on the Company. He is a non-executive director of International Marketing and Sales Group plc which is a marketing services company with its primary business in Russia and which listed

on AIM in December 2005. Mr McRoberts holds an MBA in Finance from the Garvin School of International Management in Arizona and a BSC in Finance from Arizona State University.

James Cook (aged 42) – Non-Executive Director

Mr Cook has over 12 years experience advising, founding and managing companies in the consumer finance, residential mortgage lending and leasing sectors in Russia. He is a former Executive Vice President of Delta Capital, Chairman of Delta Financial Services Group and the founder, Chairman and CEO of ZAO DeltaCredit. He was also co-founder and Chairman of ZAO DeltaLeasing (now known as Europlan), a major provider of equipment and automobile fleet leasing in Russia. Mr Cook previously served as Chairman and CEO of ZAO DeltaBank, one of Russia's pioneers in consumer finance and the major provider of VISA credit cards in Russia. In 2004, ZAO DeltaBank was sold to GE Consumer Finance Russia. Mr Cook became Chairman and CEO of GE Consumer Finance Russia prior to this sale and has recently resigned from this position to focus on the Company. He is currently a non-executive director of ZAO Forus Bank. Mr Cook was a Merit Scholar at Hampden-Sydney College and holds a B.S. in Finance from Virginia Tech. Mr Cook is a Russian speaker.

Cowasji Magol (aged 58) – Non-Executive Director

Mr Magol recently retired after 31 years of service with Cadbury Schweppes plc during which time he worked in various operational finance roles in a number of countries. In particular, Mr Magol was the Finance Director of Cadbury Schweppes' Russian, CIS and Baltic States operations between 2000 and 2005 and the Financial Controller of their European confectionery operations between 1994 and 1999. Mr Magol is a fellow of the Association of Chartered Certified Accountants.

Ben Morgan (aged 37) – Non-Executive Director

Mr Morgan is a partner with Carey Olsen in Guernsey in the Corporate Group. He qualified as a solicitor in 1992 and practised with the City law firm Norton Rose, during which he spent time in Russia, before joining Carey Olsen in 1999. Mr Morgan is a director of a number of Guernsey investment funds.

Stephen Coe (aged 40) – Non-Executive Director

Mr Coe qualified as a Chartered Accountant in 1990 and is a Fellow of the Institute of Chartered Accountants. He started his career with Price Waterhouse becoming a Senior Manager in their Channel Islands' practice. In 1997, he became a director of Bachmann Trust Company Limited, an independent fiduciaries services group in 1997. His responsibilities included the management of all regulated entities including investment funds and managers. During this period he had significant involvement with emerging market funds investing in Vietnam, South East Asia, Cuba and Ukraine. He was also a director and chairman of a number of funds investing in UK properties as well as equity funds and investment managers. In 2003, Mr Coe joined Investec Trust (Guernsey) Limited as client services director and is now its managing director.

Grant Cameron (aged 41) – Non-Executive Director

Mr Cameron is Managing Director of Investec Asset Management Guernsey Limited. He is a member of the South African Institute of Chartered Accountants and the Financial Planners Association of South Africa. In 1988, Mr Cameron joined KPMG South Africa and was transferred in 1991 to KPMG's Miami office, where he held the position of Manager of Financial Services. Mr Cameron moved to Investec Group in 1996 and was Operations Director of Investec Fund Managers SA Limited from January 1996 until February 2001. He was appointed Managing Director of Investec Asset Management Guernsey Limited in March 2001. He is the vice chairman of the Guernsey Investment Funds Association. Mr Cameron is a director of a number of Investec Asset Management Guernsey and Irish Funds. He graduated with B.Comm in 1987 and a B.Acc in 1989 from the University of Witwatersrand.

Directors' Interests

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

<i>Director</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital*</i>
Sir Trevor Chinn	—	—	500,000	0.67%
John McRoberts ¹	1	50%	300,000	0.40%
James Cook ²	1	50%	300,000	0.40%
Cowasji Magol	—	—	50,000	0.07%
Ben Morgan	—	—	—	—
Stephen Coe	—	—	—	—
Grant Cameron	—	—	—	—

*On the basis that the Placing is fully subscribed.

1. The Manager will following Admission be directly interested in 250,000 Ordinary Shares. Accordingly, John McRoberts is deemed to be indirectly interested (through his holding of 47.5 per cent. of the ordinary shares of the Manager) in 118,750 Ordinary Shares. John McRoberts is also deemed to be indirectly interested (through his holding of 42.5 per cent. of the non-voting preference shares of the Manager) in 8.5 per cent. of the Ordinary Shares of the Company following exercise by the Manager of the Manager Option. Further details of the Manager Option are set out in paragraph 8 below.
2. The Manager will following Admission be directly interested in 250,000 Ordinary Shares. Accordingly, James Cook is deemed to be indirectly interested (through his holding of 47.5 per cent. of the ordinary shares of the Manager) in 118,750 Ordinary Shares. James Cook is also deemed to be indirectly interested (through his holding of 42.5 per cent. of the non-voting preference shares of the Manager) in 8.5 per cent. of the Ordinary Shares of the Company following exercise by the Manager of the Manager Option. Further details of the Manager Option are set out in paragraph 8 below.

7. The Manager

The ordinary shares of the Manager are owned by James Cook (as to 47.5 per cent.), John McRoberts (as to 47.5 per cent.) and Michael Hough (as to five per cent.). The Manager also has in issue non-voting preference shares which are owned (a) by James Cook (as to 42.5 per cent.), John McRoberts (as to 42.5 per cent.) and Michael Hough (as to five per cent.) and (b) by a trust created by Sir Trevor Chinn (in which he has no beneficial interest) (as to ten per cent.). The non-voting preference shareholders of the Manager have a right to receive any dividends paid in respect of any Ordinary Shares issued to the Manager upon exercise of the Manager Option and any proceeds from the sale of such shares, but otherwise carry no rights to any other dividends. The Manager will following Admission be directly interested in 250,000 Ordinary Shares.

The Manager is responsible for identifying and developing investment opportunities for Aurora Russia. The two executive directors of the Manager who will be responsible for providing investment advice to the Company are James Cook and John McRoberts who together have over 20 years of experience working with approximately 120 small and mid-sized companies in Russia. This experience includes identifying and evaluating acquisition and exit opportunities and deal execution. Biographies of the members of the board of the Manager in respect of Michael Hough, Andrew Howat and Leslie Hilton are provided below. Biographies of Mr Cook and Mr McRoberts (who are also both Directors of Aurora Russia), are provided in paragraph 6 above.

Michael Hough (aged 45) – Non-Executive Director, the Manager

Mr Hough is an entrepreneur and private equity investor who for the last 17 years has been heavily involved in transactions in the financial, business and consumer services sectors. In 1990, Mr Hough co-founded Altium to provide advice to small and mid-sized companies seeking private equity, recapitalisation or exit. Altium has grown into a full service investment bank for small and mid-cap companies with offices across Europe and over 120 employees. Mr Hough began his career in finance

at Goldman Sachs & Co in New York, before joining Drexel Burnham Lambert in London in 1988. Mr Hough holds an MBA from the University of Virginia's Darden School of Business and is a fellow of the Securities Institute.

Andrew Howat (aged 42) – Non-Executive Director, the Manager

Mr Howat has over 20 years experience within the financial services arena. Currently, Mr Howat is the Managing Director of the Administrator. Prior to this he spent 10 years living and working in Asia based in Hong Kong holding a director level position at ING Barings, responsible for operational activities across the Asia Pacific region. Mr Howat has previously had extensive experience working in the offshore banking and fund services industry in the Channel Islands.

Leslie Hilton (aged 60) – Non-Executive Director, the Manager

Leslie Hilton qualified as a Chartered Accountant in 1969. After a brief period as a sole practitioner, he moved to Guernsey in 1974 and became a partner in the predecessor firm of Ernst & Young. During his ten year stay with that firm he specialised in audit work, including the audit of a number of property and investment holding companies. In 1984, he joined a Guernsey based trust company as a director and shareholder, and took responsibility for a number of major clients. He was subsequently appointed chief executive officer of that trust company and in 2001 was appointed Chairman. Mr Hilton resigned from that company in 2003 to found Confiance Limited, a Guernsey based trust company.

8. Management and Option Agreement

Management Agreement

The Company has entered into the Management Agreement with the Manager, pursuant to which the Manager will provide investment advisory and management services to the Company. In consideration of these services, the Manager will receive a management fee in cash equal to up to £1,500,000 for the period from the date of Admission to 31 December 2006 (being £1,000,000 payable following Admission together with a further fee of up to £500,000 payable in July 2006 at the discretion of the Board) and thereafter a management fee payable semi-annually in advance equal to two per cent. of the net asset value of the Company calculated in accordance with the valuation policy summarised in paragraph 2 above. The Management Agreement is to run for an initial five year term from Admission and can be terminated by the Company in the event of any gross misconduct or fraud on the part of the Manager or, after the expiry of the initial term, upon either party giving to the other not less than 24 months' notice to terminate.

Further details on the Management Agreement are set out in paragraph 9 of Part 6 of this document.

Option Agreement

The Company has granted an option to the Manager to subscribe for Ordinary Shares representing 20 per cent. of the issued share capital of the Company as at the date of exercise of the Manager Option at the Placing Price per Ordinary Share (subject to adjustments for any dividends per share paid by the Company prior to exercise by the Manager); provided that the total shareholder return on the Ordinary Shares as compared to the Placing Price has increased by at least 12 per cent. per annum from the date of Admission until exercise measured by reference to the average of the closing mid-market prices of the Ordinary Shares in the three months prior to the date on which the Manager Option becomes exercisable (the "Hurdle Rate") and, provided further that if any additional Ordinary Shares are issued following Admission as part of any secondary fundraising, the exercise price of the Manager Option in respect of such additional shares shall be the issue price paid for such shares pursuant to such secondary fundraising (subject to adjustments for any dividends per share paid by the Company prior to exercise by the Manager). The Manager Option is exercisable at any time during the period between the third and tenth anniversaries of the date of Admission; provided that the Hurdle Rate has been met prior to the date of exercise of the Manager Option. The Manager Option shall also become exercisable at any time between the date of Admission and the tenth anniversary thereof in the event that a takeover offer is made for the Company or on the Company's liquidation. In such circumstances, the Manager does not need to satisfy the Hurdle Rate in order to exercise the Manager Option.

9. Current Trading and Prospects

The Company has not traded since incorporation. As at the date of this document, the Company's paid up share capital is £0.02. Following completion of the Placing, assuming the Placing is fully subscribed, the Company will have paid up share capital of £750,000.

10. Currency

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

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

11. Dividend policy

The current intention of the Directors is to distribute not less than 75 per cent. of the distributable profits of the Company until the total amount raised pursuant to the Placing has been distributed to Shareholders. After such time, the intention of the Directors is to distribute not less than 50 per cent. of the distributable profits of the Company.

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

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

12. The Placing and use of proceeds

The Placing is intended to raise £75,000,000 before expenses. The net proceeds of the Placing of approximately £70,500,000 (assuming subscription in full for all of the Placing Shares) will be used (a) to fund investments in accordance with the investment policy and strategy outlined in this document, (b) to pay ancillary costs and (c) for general corporate purposes.

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

13. Financial information

The Company has only recently been incorporated and consequently it has not published any financial information. An accountant's report and financial information on the Company is set out in Part 4 of this document.

The Company's annual report and consolidated accounts will be prepared up to 31 December in each year. The first such annual report covering the period from incorporation to 31 December 2006 will be despatched to Shareholders before the end of June 2007. Shareholders will also receive an unaudited interim report covering the six month period to the end of June in each year. The first such report will cover the six month period to 30 June 2007. Shareholders will also be sent updates on the Group's activities as and when appropriate.

14. Borrowing

The Company does not have any immediate intention to borrow any funds. However, if appropriate, the Company and the Manager will consider raising debt finance by means including, *inter alia*, bank borrowings, private debt placements or listed debt instruments to finance the acquisition of investee companies. The level of debt raised as a percentage of the total funding requirement for any transaction will differ depending upon the perceived ability of the investee company to carry and

service the debt as well as the conditions in the debt market at the time of the transaction. The Directors and the Manager consider it vital not to leverage a company beyond its serviceable debt, and will attempt where possible, to mitigate debt risk by ring-fencing assets to protect the underlying equity value, although prospective investors should appreciate that ring-fencing may not always be possible.

The Directors intend to invest in several opportunities already under consideration. Some of these opportunities involve acquiring companies which already have a level of indebtedness in their capital structure.

15. Issue of new Ordinary Shares

There are no provisions of Guernsey law equivalent to sections 89 to 96 of the Act which confer pre-emption rights on existing Shareholders in connection with the allotment of equity securities for cash or otherwise. However, similar pre-emption rights have been incorporated into the Articles. These rights have currently been disapplied in relation to issues of equity securities of a nominal value of up to £150,000 and in certain other defined circumstances (including the issue of the Ordinary Shares following exercise of the Manager Option). Application will be made for any new Ordinary Shares to be issued under this authority to be admitted to AIM.

16. Lock-in arrangements

Pursuant to the Placing Agreement, each of the Directors has undertaken to the Company, the Nominated Adviser and the Joint Brokers that, except in certain limited circumstances (including acceptance of a general offer to holders of all the Ordinary Shares), they will not dispose of any Ordinary Shares for a period of 12 months following Admission. The Directors have also undertaken not to dispose of any Ordinary Shares for a period of 12 months following the first anniversary of Admission otherwise than through the Company's brokers from time to time.

17. Life of the Company

The Articles provide that the Company shall have an unlimited life. However, at the annual general meeting of the Company in 2010 and every five years thereafter, an ordinary resolution will be proposed that the life of the Company be continued. If any such ordinary resolution is not passed, the Directors are obliged to formulate proposals to be put before the Shareholders to wind up, reorganise or reconstruct the Company. If, however, no investment is made within the 12 months following Admission, the Directors will convene a meeting of Shareholders to consider whether to continue exploring acquisition opportunities or to wind up the Company and distribute any residual cash to Shareholders.

18. Employees

The Company currently does not have any employees. The Company will consider engaging employees in due course, including the appointment of a finance director. The Manager currently employs two staff, being the executive directors of the Manager and, following Admission, intends (as a minimum) to employ two additional investment officers, four analysts and appropriate support staff.

19. The Administrator

The Company has engaged the Administrator to provide it with, *inter alia*, administration, secretarial, registration, custody and accounting services pursuant to the Administration Agreement. For these services the Company will pay the Administrator an annual fee of up to 0.10 per cent. of the net asset value of the Company from time to time payable quarterly in arrears. The Administration Agreement is terminable by either party on not less than 90 days' notice save for certain limited circumstances when it may be terminated forthwith.

Further details of the Administration Agreement are set out in paragraph 9 of Part 6 of this document.

20. Costs and Expenses

The Company will bear the fees and out-of-pocket expenses properly incurred in the performance of the respective duties of the Manager and the Administrator and will in addition meet all its own costs and expenses including the costs and expenses of advisers, consultants and other agents engaged on its behalf, commissions, banking fees, legal expenses, auditors, listing costs and the costs of distribution of reports and accounts and similar documentation to Shareholders.

21. Corporate Governance

The Directors will take appropriate measures to ensure that the Company complies, as a minimum, with the Corporate Governance Guidelines for AIM Companies issued by the Quoted Companies Alliance. The Directors also intend to adopt additional measures over and above those set out in such Corporate Governance Guidelines so as to ensure appropriate levels of corporate governance are observed. These include:

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

There is no corporate governance regime with which the Company needs to comply in Guernsey.

The Board has established an audit committee. The audit committee, comprising Sir Trevor Chinn, Cowasji Magol, Ben Morgan, Stephen Coe and Grant Cameron will be responsible for, *inter alia*, ensuring that the financial performance of the Company is properly reported on and monitored. The audit committee will review the annual and interim accounts, results, announcements, internal control systems and procedures and accounting policies of the Company.

The Board has established a valuation committee. The valuation committee, comprising Cowasji Magol, Ben Morgan, Stephen Coe and Grant Cameron will be responsible for, *inter alia*, valuing any proposed investment to be made in an investee company and any subsequent revaluation in accordance with the investment valuation policy set out in this document.

The Company has established a remuneration committee. The remuneration committee is made up of James Cook, Ben Morgan and Stephen Coe, who will review the performance of the Directors and set the scale and structure of their remuneration and the basis of their letters of appointment with due regard to the interest of Shareholders. In determining the remuneration of Directors, the remuneration committee seeks to enable the Company to attract and retain directors of the highest caliber. No Director is permitted to participate in discussions of decisions concerning their own remuneration.

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

22. Insurance

The Directors believe that the insurance industry in Russia is at an early stage of development and, accordingly, the insurance cover available is relatively limited. Where possible the Company intends to put in place similar insurance to that available in the UK.

23. Accounting policy

The audited accounts of the Group will be prepared under International Financial Reporting Standards (“IFRS”). Under IFRS, the Group will prepare an income statement which, unlike a statement of total return, does not differentiate between revenue and capital and also includes net realised and unrealised investment gains. The Company’s management and administration fees, finance costs (including interest on any bank facility) and all other expenses will be charged through the income statement.

Further details on the Company’s significant proposed accounting policies are set out in section C of Part 4 of this document.

24. Taxation

Information regarding UK, Guernsey, Russia and Cyprus taxation for potential Shareholders is set out in Part 5 of this document. The Company has applied for exempt tax status in Guernsey.

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

25. Terms and Conditions of the Placing

Investec and Altium have agreed to use their respective reasonable endeavours, as agents for the Company, to procure institutional investors to subscribe for 75,000,000 Placing Shares at the Placing Price, which will represent approximately 100 per cent. of the enlarged ordinary share capital of the Company following Admission.

The Placing Shares will be issued fully paid, and following allotment, will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares in issue on Admission. The rights attaching to such Ordinary Shares are set out in paragraph 8 of Part 6 of this document.

The Placing is conditional, *inter alia*, on Admission and certain conditions contained in the Placing Agreement.

The Placing Agreement contains provisions entitling Investec (in consultation with Altium) to terminate the Placing Agreement at any time prior to Admission in certain circumstances. If this right is exercised the Placing will lapse. Further details of the Placing Agreement are set out in paragraph 8 of Part 6 of this document.

The gross proceeds of the Placing are expected to be £75,000,000 and the net cash proceeds receivable by the Company from the Placing (after deduction of expenses (estimated in total at £4,500,000) and assuming full subscription) are expected to be £70,500,000.

The period within which placing participants may be accepted pursuant to the Placing and arrangements for the payment and holding of subscription moneys pending Admission are set out in the Placing Agreement and in the placing letters sent out to prospective placees. It is expected that the proceeds of the Placing due to the Company will be received by it on or soon after Admission. All monies received from placees other than through CREST will be held on deposit by Investec prior to the delivery of the Ordinary Shares.

The Placing Shares are in registered form. Prior to Admission, the Company issued share certificates in respect of its issued share capital, and has maintained its register of members in book entry form. The register of members has been maintained by the Company at its registered office.

It is expected that, subject to the satisfaction of the conditions of the Placing, the Placing Shares will be registered in the names of the placees subscribing for or acquiring them and issued or transferred either:

- (a) in CREST, where the placee so elects and only if the placee is a “system member” (as defined in the Uncertificated Securities Regulations 2001) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares subscribed for or purchased expected to take place on 24 March 2006; or
- (b) otherwise, in certificated form, with the relevant share certificate expected to be despatched by post by 7 April 2006.

Notwithstanding the election by placees as to the form of delivery of the Placing Shares, no temporary documents of title will be issued. All documents or remittances sent by or to placees or as they may direct will be sent through the post at their risk.

Pending despatch of definitive share certificates or crediting of CREST stock accounts (as applicable), the Company’s registrars will certify any instrument of transfer against the Company’s register of members.

26. Plan of distribution and allotment

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

27. CREST

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

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

28. Admission, settlement and dealings

Application will be made for the Ordinary Shares to be admitted to trading on AIM and it is expected that Admission will become effective and dealings in the Ordinary Shares will commence at 8.00 a.m. on 24 March 2006 or shortly thereafter.

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

It is expected that the relevant Ordinary Shares will be delivered to the relevant CREST accounts on the day of Admission and that share certificates for the Ordinary Shares to be held in certificated form will be despatched within 10 business days of Admission. No temporary documents of title will be issued.

29. Risk factors

The attention of potential investors is drawn to the “Risk Factors” set out in Part 3 of this document.

30. Further information

Your attention is drawn to the additional information set out in Parts 2 to 6 of this document.

PART 2

BACKGROUND TO THE RUSSIAN OPPORTUNITY

1. The Market

Over the past five years, Russia has enjoyed a sustained period of strong economic growth. As a result, disposable incomes continue to grow significantly and now compare favourably with more developed economies. According to survey by AC-Nielsen released in January 2006, only 5 per cent. of Russian respondents said they had no extra cash after covering essential expenses, compared with an average of 10 per cent. worldwide. With plenty of extra cash to spend, 70 per cent. of Russians said that they would spend their money on consumer goods.

Trade, including wholesale and retail trade, has become a major sector of the Russian economy, reaching 21.3 per cent. of total GDP in 2004. Retailing has become an increasingly significant proportion of economic growth, with real turnover increasing by 9.8 per cent. per annum on average in 2000-04. The Directors of Aurora believe that in the coming years the continued growth in the Russian economy will have a favourable effect on the services sectors of the economy for the following reasons:

- Real disposable income growth is likely to continue at 6.5-7.5 per cent. a year in 2005-10, strongly supporting growth in retail turnover. Real appreciation of the rouble is also positive for retail growth.
- The government continues its efforts to increase the incomes of the poorest part of the population (pensioners and budget-funded employees) and considers this as a key social priority. In 2005-07, real growth of pensions should total 50 per cent., while the real wage increase is set at 10 per cent. per year in the 2005-07 budgets. Economic theory suggests that growth in wages and salaries should lead to a proportional increase in consumption, while incomes that are not related to labour, such as dividends, interest, and so on, are more important to savings growth.
- Credit availability also strengthens the demand for consumer goods, which opens avenues for expansion of consumption and a parallel increase in the retail sector. In the coming years, it is expected that consumer credit will become more common not only in Moscow and St. Petersburg (although these cities account for more than 50 per cent. of Russia's total retail turnover) but in other regions as well.

The Russian banking sector has also evolved over the past thirteen years reflecting the new needs and challenges of the market economy. Although it remains underdeveloped and relatively weak compared even to Central and Eastern Europe countries, with banking assets of just 42.5 per cent. of GDP, the Directors believe that its position in the economy is expected to grow for the following reasons:

- The banking sector has become a main player in the business payments settlement process. The share of barter deals in inter-enterprise settlements has dropped significantly, while the share of cash payments via the banking system has increased on the back of economic stabilisation and improvements to this sector.
- Economic and political stabilisation have vastly improved since the mid-nineties which has boosted development of the banking sector.
- Introduction of deposit insurance in 2004 has resulted in an increase in private deposits from US\$96 billion in December 2004 to US\$110 billion by June 2005, or by 17 per cent.

The growth in disposable incomes has led to improvements in the prospects of the housing construction sector. Residential construction is expected to continue to grow by more than 10 per cent. a year in the medium term, pushing the cumulative growth of construction to 8.5 per cent. in 2005-10. Moreover, Russia's mortgage system is gradually developing. According to a recent study by McKinsey, the mortgage market in Russia could reach US\$25 billion by 2010. Loans secured against property were around US\$1 billion in 2005, or 0.3 per cent. of GDP.

The Directors believe that it is relevant to consider the following factors in assessing the background to an investment in the Company:

- The current strength of the investment market in Moscow and elsewhere in Russia

- The future economic prospects for the Russian Federation
- The Russian political situation

Economic prospects for the Russian Federation

Economic overview

Russia's economic model is now one of economic growth. In August 2005, the government adopted a three year economic programme to double GDP by 2008, and if not by then, definitely by 2010. However, market commentators believe that this will be a challenge to achieve. In addition, inflation is forecast to fall below 10 per cent. in 2006.

Macroeconomic indicators - Russia					
	Source	2004A	2005F	2006F	2007F
Headline indicators					
GDP	(1)	\$582 bn			
Real GDP growth	(2)	7.2%	6.1%	5.7%	5.3%
Inflation	(2)	11.7%	11.3%	10.7%	10.0%
Federal government finances					
Central bank reserves	(1)(a)	\$87.9 bn	\$137.4 bn		
Fiscal balance (per cent of GDP)	(2)	4.5%	7.3%	4.0%	2.5%
Trade					
Trade Surplus	(1)	\$87 bn			
Current account balance (\$ billion)	(2)	\$60 bn	\$91 bn	\$81 bn	\$57 bn
Current account balance (per cent of GDP)	(2)	10.3%	12.3%	9.2%	5.5%
Foreign Direct Investment	(1)	\$9.4 bn			
Social indicators					
Population (million)	(1)	144.2	143.5		
Registered unemployment	(1)(b)	7.1%	6.3%		

Source:

(1) British Embassy Moscow - Economics Section ^(1a) 2004 = Jul 2004; 2005 = Apr 2005 ^(1b) 2004 = Jul 2004; 2005 = Jul 2005

(2) OECD Economic Outlook No.78

Source: OECD and the British Embassy Report



Source: Datastream

Russia is in negotiations to enter the World Trade Organisation ("WTO"), which the Directors believe is likely to improve confidence in the Russian economy. In 2004, foreign direct investment was US\$9.4 billion, almost 40 per cent. more than the 2003 amount of US\$6.8 billion. Foreign debt as a percentage of GDP has also fallen from over 60 per cent. in 1998 to less than 15 per cent. in 2005. In January 2005, S&P upgraded Russia's sovereign debt to investment grade and, in August 2005, Fitch Ratings upgraded Russia's sovereign credit ratings to BBB. In 2004, the budget surplus was 4.1 per cent. of GDP and was projected to be 7 per cent. in 2005.

Russia also enjoys relatively low tax rates. Profit tax is currently 24 per cent. and personal income tax is 13 per cent. (flat). VAT is also expected to fall from 18 per cent. to 13 per cent. in 2007.

Commodity prices

It is estimated that raw materials account for 77 per cent. of Russia's exports. Consequently, the prices and the currency rates which apply to commodities have a significant bearing on the health of the Russian economy.

Russia ranked second in the world in oil production in 2004, behind Saudi Arabia. Estimates place proven reserves at 60 billion barrels in 2005. In 2004, Russia was also one of the world's largest natural gas producers with estimated reserves of 1,680 trillion cubic feet. State owned Gazprom holds a virtual monopoly over gas production and transmission in Russia.

The dramatic increase in global oil prices has been a major contributor to Russia's recent economic strength. The Putin government established the Stabilisation Fund which came into effect on 1 January 2004. The legislation creating the fund set a three year target of 500 billion roubles to be built up, which would later be drawn down to smooth public spending in the event of the oil price falling below US\$20 per barrel. That three year target was met approximately one year into the programme. Even before oil prices reached near record levels, the Stabilisation Fund was worth approximately US\$52 billion by the end of 2005, or about 7 per cent. of Russia's GDP.

International standing and international economic issues

The European Union and Russia have signed an agreement for bilateral market access arrangements between Russia and European Union countries.

Russia has made significant progress in the repayment of its international debt obligations. By the end of 2005, Russia owed some US\$43 billion to the Paris Club of international lenders. During 2005, an agreement was signed with the Paris Club facilitating the early repayment of US\$15 billion and it has been forecast that Russia will be able to pay off the remaining Paris Club debt in 2006.

Domestic liquidity

Consumer spending has been growing for some time alongside growth in real personal incomes. Despite this, with less than US\$150 per head of average indebtedness, Russian consumers are amongst the most under-leveraged in Europe. The establishment of a deposit guarantee system has helped increase confidence in the banking sector. Moreover, the scale of the retail opportunity has encouraged a number of international retailers such as IKEA, Monsoon, BHS, Mothercare and Marks & Spencer to open stores in Russia.

The Russian political situation including the key role of President Putin and his policy stance

The Directors believe that the political situation in Russia is more stable than at any time since the collapse of communism and that political stability has, coupled with economic liberalisation, fuelled the prolonged and continuing period of economic growth.

Boris Yeltsin was elected President of Russia in June 1991 and the USSR was dissolved in December 1991. Parliamentary elections took place and a new constitution was adopted in 1993.

In 1998 the Russian government devalued the currency and defaulted on its mounting domestic debt. The Government was changed following this crisis and Mr. Primakov, who was Prime Minister until the summer of 1999, was succeeded by Vladimir Putin. Yeltsin resigned from the Presidency on 31 December 1999 and subsequently Putin was elected as the new President in March 2000.

In order to assert control over Russia's regions, Putin has taken control over the appointment of regional governors. In addition, Putin's aims include modernising Russia and he has introduced economic reforms which have balanced the budget and cut inflation. He promises to continue reforming the economy and to safeguard democracy.

In November 2005, a government reshuffle took place with the appointment of two other deputy prime ministers. Both Putin's chief of staff Medvedev and the current defence minister Ivanov were promoted. Medvedev is chairman of Gazprom's board and is tasked to oversee national projects addressing the most acute problems. It is widely believed that Putin's successor may be either Medvedev or Ivanov.

PART 3

RISK FACTORS

General

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

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

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

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

References below to the Company are also deemed to include, where appropriate, each member of the Group.

General risk factors

Investment objective

There can be no guarantee that the investment objectives of the Company will be met. The Company's ability to achieve its investment objectives may be adversely affected in the event of any significant or sustained changes in market returns or volatility.

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

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

Underperformance or failure of one or more of the investments may have an adverse effect on the value of the Company.

Dividends

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

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

Gearing

The Directors may secure facilities to borrow funds in the future. It is not certain that such facilities will be able to be secured at levels or on terms acceptable to the Directors. Any amounts that are secured under a bank facility are likely to rank ahead of Shareholders' entitlements and, accordingly, should the Company's assets not grow at a sufficient rate to cover the costs of establishing and operating the Company, Shareholders may not recover their initial investment.

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

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

AIM

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

Currency risk

The Company will transact in currencies other than pounds Sterling, primarily in US dollars and Russian roubles. Consequently, the Company's performance will be subject to the effect of exchange rate fluctuations with respect to the currencies employed.

Directors and Manager

The Company is dependent upon its Directors and the Manager and may be adversely affected if the services of the Directors and/or the Manager (including personnel employed by the Manager or the Investment Advisor) cease to be available to the Company.

Litigation

Legal proceedings may arise from time to time in the course of the Group's business, due to the nature of the Group's operations. The Directors cannot preclude that such litigation may be brought against the Group in future from time to time or that it may be subject to any other form of litigation.

Risk factors relating to potential investments

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

- The Company's investment portfolio will comprise interests in unquoted private companies which may be difficult to value and/or realise. Investment in the securities of smaller companies can involve greater risks than is customarily associated with investments in larger, more established companies. In particular, such companies may often have limited product lines, markets or financial resources and may be dependent on a small number of key individuals.
- The success of the Company and the Manager will be dependent upon, *inter alia*, the identification, acquisition and operation of suitable investments. There can be no guarantee that such investments can or will be acquired or that such investments will be successful. Poor performance by any investment could severely affect the total returns to Shareholders. In addition, the Company may be unable to fully invest its funds, limiting further the spread of investments within its portfolio.
- Investors should be aware that the companies in or through which the Company will make investments may themselves be geared. Although the use of gearing through bank borrowings

may increase the return on those investments, it also creates greater potential for loss. This includes the risk that the borrower will be unable to service the interest payments or comply with the other requirements of the loan, rendering it repayable, the risk that available funds will be insufficient to meet required repayments and the risk that existing borrowings will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing borrowings.

Risk factors relating to Russia

Potential investors should note that there are significant risks inherent in investing in Russia. The value of Russian companies and assets may be affected by various uncertainties such as economic, political or diplomatic developments, social and religious instability, taxation and interest rates, currency repatriation restrictions, crime and corruption and developments in the law or regulations in Russia and, in particular, the risks of expropriation, nationalisation and confiscation of assets and changes in legislation relating to the level, or permissibility, of foreign ownership.

Political risk

Significant political instability or social unrest could have a material adverse effect on the value of foreign investments in Russia and, therefore, the value of the Company's assets.

Economic risk

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

Reliance on oil and gas

The Russian economy is heavily dependent on the production and export of oil and is therefore highly sensitive to changes in the world oil price. It is impossible to predict future oil price movements with any certainty. A reduction in the world oil prices may lead to a decline in the value of Russian assets. In addition, it may have materially adverse effects on the Russian economy. Making the economy less dependent on oil and natural gas exports is a stated priority of President Putin, but there can be no guarantee that this will happen going forward.

Crime and corruption

High crime levels, including extortion and fraud are still prevalent in Russia. Many businesses, particularly in large cities, are subject to the influences of criminal elements. Parts of the Russian economic system continue to suffer from corruption. The Company may have to cease or alter certain activities or liquidate certain investments as a result of criminal threats or activities. Legal rights may be difficult to enforce in the face of organised crime or corruption. Prospective counterparties to the Company may seek to structure transactions in an irregular fashion, to evade fiscal or legal requirements. They may also deliberately conceal information from the Company and its advisers or provide inaccurate or misleading information.

Official data

The quality and reliability of official data published by the government and government agencies of Russia is generally not equivalent to that of more developed Western countries.

Accounting practice

Accounting, auditing and financial reporting standards in Russia do not always match International Financial Reporting Standards and are not always equivalent to those applicable in more developed market economies. The quality and reliability of information available to the Company is likely to be less than when investing in Western countries. The obligation on Russian companies to publish

financial information is also relatively limited, thus making satisfactory due diligence prior to any acquisition harder to achieve.

Foreign currency and exchange rates

The Company's assets may be invested in assets denominated in roubles, which are not externally convertible into other currencies outside Russia. The value of the Company's assets, as measured in Sterling or US dollars, may be affected, both positively and negatively, by fluctuations in currency rates and exchange control regulations. The Company, as a non-resident of Russia, is restricted in the operations in which it may engage involving roubles since it may only hold roubles in special bank accounts, the proceeds from which may not be freely converted and repatriated.

Foreign investment restrictions

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

Repatriation restrictions

Russian foreign investment legislation currently guarantees the right of foreign investors to transfer abroad income received from investments such as profits, dividends and interest payments. This right is subject to settlement of all applicable taxes and duties. However, more recent legislation, governing currency regulation and control, guarantees the right to export interest, dividends and other income on investments, but does not expressly permit the repatriation of capital from the realisation of investments. Current practice is to recognise the right to repatriation of capital. Authorities currently do not attempt to restrict repatriation beyond the extent of the earlier law. No guarantee can be made, however, that amounts representing realisation of capital or income will be capable of being remitted.

Russian currency control legislation pertaining to the payment of dividends currently permits rouble dividends on common stock to be paid to a special rouble account of a non-resident shareholder or its nominee, and to be converted into a convertible currency and repatriated without restriction but it is possible that this situation may change.

Re-nationalisation, requisition, compulsory purchase

Russia has, since the early 1990s, undertaken a substantial programme of privatisation. However an anti-privatisation lobby still exists within the Russian parliament. Re-nationalisation of assets cannot be ruled out. Any such activity could materially adversely affect the value of the Company's assets.

Land may be subject to compulsory purchase by the state for its own needs or as a sanction for the inappropriate use of that land.

The Law on Investment Activity in the Russian Federation provides that in the event property (including, by implication, real estate) is nationalised or requisitioned by the state, the owner is entitled to full reimbursement for all incurred losses, including loss of profit. It is not clear from the law how such losses will be calculated nor whether there is any way to seek to challenge (and so to prevent) confiscation of property.

During Russia's transformation from a centralised economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalisation. However, it is possible that due to the lack of experience in enforcing these provisions and due to political or legal changes, these protections could not be enforced, or in force, in the event of an attempted expropriation or nationalisation. Some government entities have tried to invalidate earlier privatisations. Expropriation or nationalisation of the companies in which the Company invests, their assets or portions thereof, potentially with little or no compensation, would have a material adverse effect on the Company.

Russian taxation

Russian tax law and practice is not as clearly established as that of the UK and the practice of the Russian tax authorities may not always be in accordance with the law. The Russian tax authorities do not always apply the law evenly to all taxpayers, and may be influenced in some cases by political considerations. It is possible that the current interpretation of the law or understanding of practice may change or, indeed, that interpretation may be changed with retrospective effect, although legislation with retrospective effects that cause a deterioration in taxpayers' positions is generally prohibited.

Russian tax laws, such as the Tax Code, have been in force for a short period relative to tax laws in more developed market economies; therefore the government's implementation of these tax laws is often unclear or inconsistent. Often, differing legal interpretations exist between companies that are taxed and government organisations, such as the Ministry of Finance, the Federal Tax Service and its various inspectorates, creating uncertainties and areas of conflict. In addition, Russian companies often implement tax planning structures that are significantly more aggressive than would be seen in more developed environments. Generally, tax declarations remain open and subject to inspection by tax and/or customs authorities for a period of three years following the tax year in question. There is some discussion over a change to the limitation period but how this will be resolved is currently unclear. Further, the tax authorities have in the past sought, and may again in the future, seek, ways to look back beyond the three year period. The fact that a year has been reviewed by tax authorities does not close that year nor any tax declaration applicable to that year, from further review by a higher level tax authority during the three-year period. These facts create tax risks in Russia substantially more significant than typically found in countries with more developed tax systems.

The taxation system in Russia is subject to frequent change and inconsistent enforcement at the federal, regional and local levels. Until the adoption of the new Tax Code, the system of tax collection was relatively ineffective, resulting in the continual imposition of new taxes in an attempt to raise government revenues. There can be no guarantee that the Tax Code will not be changed in the future in a way that reverses recent positive changes. Among other things, the potential for government deficits raises the risk of a sudden imposition of additional taxes on the Company or entities in which it invests.

Accordingly, it is possible that the Company or any entity in which it invests could become subject to taxation in Russia that is not anticipated either at the date of this document or when its investments into Russia are made, valued or disposed of, which could have a materially adverse effect on the Company.

Legal system

The volume of new legislation which has appeared, as well as the magnitude of the changes taking place, has resulted in a lack of confidence in the courts to give clear and consistent judgements. Legal acts are published by a variety of state bodies and complete compliance with legal rules and standards, including in relation to privatisation, has often been difficult to achieve even for those attempting to do so. There is also a lack of precedent in relation to market-oriented legal relations.

Due to the inconsistency of Russian legislation, the same provisions of the law may be applied differently by different local authorities and state bodies. The uncertainty as to how the law will be applied by different local authorities and state bodies may have adverse consequences for the Company.

Under Russian law, any legal rule affecting the rights and duties of private individuals must be published. However, there remains the risk of unpublished laws being applied in which case the validity of any act affecting the rights and duties of private individuals that is not based on published law can be challenged in court. Courts normally give protection to the rights of private individuals except, perhaps, in high profile cases where political reasons may prevail.

The independence of the judicial system and its immunity from economic, political and nationalistic influences in Russia remain largely untested. The court system is understaffed and underfunded. Judges and courts are generally inexperienced in the area of business and corporate law. Judicial precedents have no binding effect on subsequent decisions as Russia is a civil law jurisdiction. In addition, most court decisions are not readily available to the public. Enforcement of court judgements can in practice be very difficult in Russia. All of these factors make judicial decisions in Russia difficult to predict and

effective redress uncertain. Additionally, court claims may be used in furtherance of political or private objectives and court judgements are not always enforced or followed by law enforcement agencies.

Governmental authorities' powers

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

Liability of investors in joint stock companies

The Russian Civil Code, the Federal Law on joint stock companies and the Federal Law on limited liability companies generally provide that shareholders in a Russian joint stock company and members of a Russian limited liability company are not liable for the obligations of the company and bear only the risk of loss of their investment. An exception to this rule, however, is when one company is capable of determining such decisions. Such a company is called an effective parent. The company whose decisions are capable of being so determined is called an effective subsidiary. Under certain circumstances the effective parent bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out these decisions. In addition, an effective parent is secondarily liable for an effective subsidiary's debts if an effective subsidiary becomes insolvent or bankrupt resulting from the action or inaction of an effective parent. Current interpretation of this law by Russian courts is that only an immediate parent company can be construed as an effective parent in this context.

Insurance

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

Environmental concerns

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

Liabilities in acquired entities

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

Forward Looking Statements

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

Forward-looking statements include statements concerning the plans, objectives, goals, strategies and future operations and performance of the Group and the assumptions underlying these forward-looking statements. The Group uses the words "anticipates", "estimates", "expects", "believes", "intends", "plans", "may", "will", "should", and any similar expressions to identify forward-looking statements. These statements involve risks and uncertainties, including the risks that are identified in this document, which are primarily described in this Part 3.

Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the Group's actual results, performances or achievements to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding present and future business strategies and the environment in which the Group will operate in the future. Among the important factors that could cause its actual results, performance or achievements to differ materially from those in the forward-looking statements include those factors set out in this Part 3 and elsewhere in this document.

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

Accounting Policy

The Company intends to invest in Russian companies and may in certain circumstances take controlling interests. In accordance with the Company's proposed accounting policies and IFRS No. 27, Consolidated and Separate Financial Statements, all investee companies in which the Company has a controlling interest are required to be consolidated. There is a risk that the consolidation of investee companies may result in significant cost or delay due to the possibility of non continuous year ends, differing accounting principles and the involvement of different firms of auditors. Should it be impractical to consolidate an investee company in the timescale to meet reporting requirements, it is possible the Company's audit report would be qualified for non preparation of consolidated accounts including the relevant investee company. If this situation arises, the Directors will seek to provide alternative financial information on the relevant investee company by way of the disclosure in the Company's financial statements.

Taxation

Any change in the Group's tax status or in taxation legislation could affect the Company's ability to provide returns to its Shareholders. Statements in this document concerning the taxation of investors in Ordinary Shares are based on the current UK and Guernsey tax law and practice which is subject to change. The taxation of an investment in the Company depends on the individual circumstances of investors.

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

PART 4

ACCOUNTANT'S REPORT AND FINANCIAL INFORMATION ON THE COMPANY

Section A: Accountant's Report on the Company

The Board of Directors
on behalf of Aurora Russia Limited
Investec House
PO Box 290
La Plaiderie
St. Peter Port
Guernsey
GY1 3RP

Investec Bank (UK) Ltd
2 Gresham Street
London
EC2V 7QP

20 March 2006

Dear Sirs

AURORA RUSSIA LIMITED

We report on the financial information set out in section B of Part 4 of the AIM Admission Document dated 20 March 2006 of Aurora Russia Limited (the "Company") (the "Admission Document"). This financial information has been prepared for inclusion in the Admission Document on the basis of the accounting policies set out in note 1 to the financial information. This report is required by paragraph (a) of Schedule Two to the AIM Rules as if Annex I item 20.1 of the Prospectus Rules applied and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information and in accordance with International Financial Reporting Standards ("IFRS").

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission document a true and fair view of the state of affairs of the Company as at the dates stated in accordance with the basis of preparation set out in note 1 and in accordance with IFRS.

Yours faithfully

Deloitte & Touche
Chartered Accountants

Deloitte & Touche is the Channel Island member firm of Deloitte Touche Tohmatsu (“DTT”), a Swiss Verein whose member firms are separate and independent legal entities. Neither DTT nor any of its member firms has any liability for each other’s acts or omissions. Services are provided by member firms or their subsidiaries and not by DTT.

Section B: Financial Information on the Company

FINANCIAL INFORMATION

Income Statement for the period from incorporation on 22 February 2006 to 20 March 2006.

During the period from incorporation on 22 February 2006 to 20 March 2006, the Company has not traded and has received no income and incurred no expenditure. Consequently, during the current period the Company has made neither a profit nor a loss and hence no income statement has been prepared.

BALANCE SHEET

	<i>As at 20 March 2006 £</i>
Current Assets	
Debtors	0.02
Capital	
Called up share capital – 2 ordinary shares issued and outstanding (Note 2)	0.02

Cash Flow Statement

For the period from incorporation on 22 February 2006 to 20 March 2006, the Company did not receive or expend any cash and hence no cash flow statement has been prepared.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS). All assets and liabilities are measured on an historical cost basis except for the revaluation of financial instruments.

2. History

The Company was incorporated on 22 February 2006 as Aurora Russia Limited.

The Company has not yet completed its first accounting period. No statutory financial statements have been prepared or audited since incorporation.

At the date of this report, the authorised share capital of the Company comprised £2,000,000 made up of 200,000,000 ordinary shares of £0.01. The issued share capital at the date of this report consists of two ordinary shares of £0.01.

Section C: The Company's Significant Proposed Accounting Policies

Significant Proposed Accounting Policies

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

Basis of preparation

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS"), which comprise standards and interpretations approved by the International Accounting Standards Board and International Accounting Standards and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect and applicable legal and regulatory requirements of Guernsey Law and the London Stock Exchange.

All assets and liabilities are measured on an historical cost basis except for the revaluation of financial instruments.

Basis of consolidation

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

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

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

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

Functional and presentation currencies

The Directors have selected Sterling as the presentation currency of the Company. The Directors have also selected Sterling as the Company's functional currency, as the company is listed on AIM and have received and provided all its funding in that currency. The majority of the company's investments will be denominated in US dollars and Russian roubles.

Income

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

Interest income is accrued on a time basis.

Expenses

All expenses are accrued for an accruals basis and are presented as revenue items except for expenses that are incidental to the disposal of an investment which are deducted from the disposal proceeds.

Taxation

The company is exempt from Guernsey taxation under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 for which it pays an annual fee of £600.

Foreign currency transactions

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

Forward exchange contracts

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

Financial instruments

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

Investments

The portfolio investments, where the Company does not have a controlling interest, have been designed as "financial assets at fair value through the profit and loss". The portfolio investments are initially recognised at cost on a trade date basis. The portfolio investments are subsequently re-measured at fair value, which is determined by the Directors. Unrealised gains and losses arising from the revaluation of investments at the year end will be taken directly to the Income Statement.

IAS 39 requires investments to be held at fair value, or at cost less provision for impairment in value where no reasonable range of fair values can be determined. Fair value is determined by the Directors as follows:

- (a) *Unquoted securities* – are valued based on the realisation value which is estimated by the Directors with prudence and good faith. The Directors will take into account the guidelines and principals for valuation of Portfolio Companies set out by the European Venture Capital Association (EVCA), with particular consideration of the following factors:
- Investments will be reported at fair value at the reporting date; fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.
 - In estimating fair value for an investment, the Directors will apply a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations.
 - An appropriate methodology will incorporate available information about all factors that are likely materially to affect the fair value of the investment. The valuation methodologies will be applied consistently from period to period, except where a change would result in better estimate of fair value. Any changes in valuation methodologies will be clearly stated.

Listed below are the most widely used methodologies. In assessing which methodology is appropriate, the Directors will be predisposed towards those methodologies that draw on market-based measures of risk and return.

- Cost of recent investment
- Earning multiple
- Net assets
- Discounted cash-flows
- Industry valuation benchmarks
- Available market prices

Methodologies utilising discounted cash-flows and industry benchmarks will rarely be used in isolation of the market-based methodologies and then only with extreme caution. These methodologies however, may be useful as a cross-check of values estimated using the market-based methodologies.

- (b) *Securities quoted or traded on a recognised stock exchange or other regulated market* – are valued by reference to the last available bid price and the size of the holding provided, in any event, that the Directors believes such a price to be a bona fide market price. Securities which are quoted by not marketable due to securities law restrictions will be valued at an appropriate discount rate from the public market price.

Other receivables

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

Financial liabilities and equity

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

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any

difference between cost and redemption value being recognised in the Income Statement over the period of the borrowings on an effective interest basis.

Other payables

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

Provisions

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

Set up expenses

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

Share options granted to the Manager in respect of ongoing services are conditional upon the achievement of certain performance conditions.

The Directors believe that the fair value of these options cannot be estimated at the grant date and hence, the Company measures the intrinsic value of these options at each reporting date, defined as the difference between the fair value of the shares and the exercise price of the options and recognise the movement in the income statement.

PART 5

TAXATION

1. Introduction

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

Unless indicated otherwise, any reference to a Cypriot company in this summary assumes that such company is a tax resident of Cyprus for the purposes of both Cypriot domestic legislation and the Treaty between the Russian Federation and the Republic of Cyprus for the Avoidance of Double Taxation With Respect to Taxes on Income and Property of 5 December 1998 (the “Treaty”). Similarly, unless indicated otherwise, any reference to a Russian legal entity/Russian company in this summary assumes that such entity is a tax resident of the Russian Federation for the purposes of the Treaty.

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

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

2. The Group

(a) *Guernsey taxes*

The Company will apply, on an annual basis, for tax exempt status in Guernsey pursuant to the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989. An annual fee of £600 is payable for exemption.

Under the terms of this ordinance the Company will be treated as effectively non resident in Guernsey and will be exempt from all tax on profits or gains derived outside Guernsey and on Guernsey bank interest. The Company will also be permitted to invest on a tax free basis in other Guernsey exempt companies or investment schemes.

The Company would however be chargeable to tax on profits arising from any business conducted in Guernsey and on income from any property located there. For the avoidance of doubt, the directors of an exempt company may meet in Guernsey and conclude contracts and manage the investments of such company without creating any liability to tax in Guernsey.

In order to qualify for such exemption, in broad terms, the Company should:

- provide investment facilities for members of the public;
- appoint local managers and administrators to carry out management and administrative functions on an arm’s length basis; and
- appoint local custodians to provide custody services.

Application for exemption will be made within the specified time limit for such exempt bodies and it is anticipated that the Company will qualify for exempt status. It is not anticipated that any income other than bank interest income will arise in Guernsey.

Dividends or other distributions paid to investors are paid without deduction of income tax. However, the Guernsey Income Tax Authority will require the Company to furnish particulars in respect of dividends or distributions paid to Guernsey residents.

No charge to Guernsey taxation will arise on capital gains.

It is the intention of the Directors to conduct the affairs of the Group so that the management and control of the Company is not exercised in the UK and neither the Company nor any other member of the Group is resident in the UK for taxation purposes and so that neither the Company nor any other member of the Group carries on any trade in the UK (whether or not through a permanent establishment situated there). Accordingly, the Company will not be liable for UK taxation on its income or gains other than certain income deriving from a UK source.

Legislative changes

Following publication of the OECD's report on "Harmful Taxation: An Emerging Global Issue" and in response to subsequent pressure from the European Union and OECD member states in relation to the operation of certain so called "harmful preferential regimes", on 25 November 2002, the Advisory and Finance Committee of the States of Guernsey (now known as the Policy Council) announced a proposed framework for a structure of corporate tax reform within an indicative timescale. The purpose of the proposed reform was to enable Guernsey to cooperate with the European Union and OECD in order to maintain its position as a competitive financial centre with high standards of international compliance, accountability and transparency. In the announcement the Committee stated that any specific recommendations for change would only be placed before the Guernsey Government after further consultation with local businesses and a review of taxation in other financial centres.

This consultation process has been ongoing and though no final recommendations have been advanced as yet, it is expected that these will be put before the states for deliberation in the Summer of 2006.

At this point in time, the favoured option for reform is the introduction of the so called "zero ten" regime under which the standard rate of taxation on companies would be zero with a 10 per cent. rate applied to companies conducting certain business regulated by the GFSC. The "zero ten" regime would require the abolition of the exempt companies scheme, and it is anticipated that exempt bodies would cease on 1 January 2008.

Regulated business likely to be taxed at 10 per cent. would include:

- Banks;
- Fiduciaries;
- Insurance Managers; and
- Fund Managers.

Types of regulated business that would qualify for the zero rate under the proposals would include:

- Collective investment schemes; and
- Former exempt companies.

It is anticipated that the Company would qualify for zero tax status and will not therefore be affected by the changes.

(b) Cyprus

If a Cypriot subsidiary of the Company makes an investment in a Russian legal entity it may be eligible to benefit from the treatment provided under the Treaty (e.g. withholding tax on sale of Russian securities may be either reduced or wholly eliminated) provided that a number of criteria are met, relating primarily to proper substantiation of the Cypriot subsidiary's tax status and the tax position of the Cypriot subsidiary in Russia (see "Russian Federation" below).

In order for the management and control of the Cyprus company to be considered to be exercised in Cyprus, and therefore for the Cyprus company to be considered a tax resident of Cyprus and entitled to the benefits of the Treaty, the following conditions currently apply: (a) the majority of the directors should be resident in Cyprus, (b) the majority of the board meetings should be held in Cyprus, (c) the majority of significant decisions should be taken in Cyprus. The fund plans to structure its processes in such a manner that it meets the above conditions.

Under the provisions of the Treaty, provided that a Cypriot subsidiary, as a beneficial owner of the shares in a Russian company, does not have a permanent establishment ("PE") in Russia, the rate of Russian withholding tax on dividends is reduced to 5 per cent. if the amount of investment into the Russian company exceeds US\$100,000, or to 10 per cent. in other cases. Acquisition of shares in a Russian company by the Cypriot subsidiary from existing holders or on the open market would also qualify for a reduced rate subject to meeting the threshold requirement with respect to the purchase price.

The concept of beneficial ownership of income as stated in many double tax treaties is not provided for in Russian tax legislation, however is beginning to be applied in practice. The current position of the Russian tax authorities is that this concept assumes that a beneficial owner of income is entitled to dispose of this income at its discretion. The fund plans to structure its processes in such a way that it meets this condition.

The standard corporate income tax rate in Cyprus is 10 per cent.

Dividend income is generally subject to the Special Contribution for Defence at the rate of 15 per cent., but an exemption applies where the shareholding/participation interest in a subsidiary exceeds 1 per cent. The exemption does not apply if the company paying the dividends engages, directly or indirectly, more than 50 per cent. in activities which lead to investment income and the foreign tax burden on the income of the company paying the dividends is substantially lower than the tax burden of the company in Cyprus (substantially lower is generally interpreted as lower than 5 per cent.). If not exempted, the dividends are subject to the Special Contribution for Defence at the rate of 15 per cent. In the unlikely event that dividends from Russia will be subject to the Special Contribution for Defence, any Russian withholding tax on the dividend can be relieved against the amount of the Special Contribution for Defence. A credit for Russian underlying tax (i.e. Russian profits tax) is also available as a credit against the Special Contribution for Defence under the Treaty, but may be more difficult to obtain in practice given the extensive documentary confirmation required.

Gains derived by a Cypriot company from the disposal of Russian securities are exempt from taxation in Cyprus. Provided that certain conditions are met, such gains are not subject to Russian withholding tax under the Treaty.

Interest payments made by a Russian company to a Cypriot company are exempt from Russian withholding tax under the Treaty if the recipient of the interest does not have a PE in Russia (and the interest is not attributable to a PE), it is considered the beneficial owner of the interest as described above and the amount of interest paid is calculated on an arm's length basis.

Interest income received by a Cypriot company from its ordinary business, or in close connection with its ordinary business activities, is taxed at 10 per cent. (after the deduction of business expenses) and is exempt from the Special Contribution for Defence. Interest not considered to be related to the category of ordinary business activities or in close connection with such ordinary activities is subject to a 10 per cent. Special Contribution for Defence and also 50 per cent. of the net interest (after deduction of business expenses) is subject to corporation tax. The fund plans to structure any financing of its Russian subsidiaries via Cyprus in such a manner that the Special Contribution for Defence will not apply to interest income in Cyprus.

Other income of the Cyprus subsidiaries of the Company, less relevant expenses, may be taxed to corporate tax in Cyprus at the general rate of 10 per cent.

No Cypriot withholding taxes apply with respect to distributions of profit by a Cypriot subsidiary to a Company.

(c) *Russian Federation*

Provided the Company, the Manager and the Cyprus entities do not carry out activity in Russia through a PE, they will be taxable in Russia only in respect of income that is considered to be derived from Russian sources and is subject to Russian withholding income tax.

The Company intends to conduct its activities such that it, the Manager, or any Cypriot subsidiary holding shares in Russian investee companies would not be considered to have a PE in Russia. However, due to the possibility of legislative or regulatory changes (including changes in the interpretation of existing laws and regulations), no assurances can be given that the Company, the Manager, or any Cypriot subsidiary will not be deemed to have a PE in Russia and, therefore, not be subject to tax in Russia as a Russian tax resident. Each of the Company, the Manager and the Cyprus entities will use its reasonable efforts to mitigate any residual risk of being regarded as having a PE in Russia.

The Manager will retain the services of a separate advisory entity in Cyprus (i.e. the Investment Advisor) which will register a representative office in Russia. This representative office is likely to be regarded as constituting a PE in Russia, and therefore will be subject to Russian taxation. It is likely to be taxed to Russian Profit Tax on income invoiced to the Manager on an arm's length mark up on the cost base of the representative office and therefore Russian taxation of profit is likely to be limited. Russian transfer pricing rules will be applicable to the charge from the representative office to the Manager. Much of the income of the representative office is likely to be exempt from Russian VAT where it is invoiced to a foreign entity, such as the Manager, where the Manager is considered not to have a presence in Russia. However, it is possible that a portion of the income of the representative office will be subject to Russian VAT, which will not be recoverable by the Manager. Due to the possibility of legislative or regulatory changes (including changes in the interpretation of existing laws and regulations), no assurances can be given that the taxation basis of the representative office will not be increased.

Under Russian domestic law, any dividends payable by a Russian company (investee) directly to a non-Russian legal entity are subject to withholding income tax at 15 per cent. unless an applicable double tax treaty provides otherwise. Under the Treaty, if a Cypriot company does not create a PE in Russia, and the dividends received from its Russian subsidiary are not attributable to such a PE, the rate of Russian withholding income tax on those dividends will be reduced to 5 per cent. if the amount of investment into the Russian company exceeds US\$100,000, or to 10 per cent. in other cases, provided that the Cypriot company is the beneficial owner of those dividends.

Gains derived by a Cypriot shareholder/owner of a Russian company from the disposal of shares/participation interest in such a company, where more than 50 per cent. of its assets are represented by immovable property located in the territory of Russia, are subject to Russian withholding income tax at either 20 per cent. on the total amount of sale proceeds or 24 per cent. on the difference between the sale proceeds less certain actually incurred and properly documented expenses. Such gains may be exempt under the Treaty.

Importantly, to be eligible for benefits under the Treaty the recipient of income may be required to comply with certain Russian procedures. In particular, a Cypriot recipient organisation should provide to the Russian organisation that pays the income a confirmation of tax residence in Cyprus. The confirmation should be renewed annually. This confirmation should be certified by the Cypriot competent authorities and apostilled for the purposes of performing the official translation into Russian required by the Russian tax authorities. Such confirmation should be delivered to the Russian organisation prior to the date the first payment of Russian source income is effected in the relevant calendar year. Failure to comply with these procedures may put the availability of the Treaty's benefits at risk. The fund plans to comply with such requirements.

Any gains derived by the Company or a Cyprus subsidiary on the disposal of shares in a Russian legal entity or the derivatives of these shares through a non-Russian stock exchange or foreign organiser of trading will not be subject to any Russian withholding tax.

Interest income (including interest income from Russian securities) paid to a foreign entity by a Russian organization or a PE of a foreign legal entity in Russia, is subject to Russian withholding income tax at the rate of 20 per cent., except interest income from Russian state and municipal

bonds which is subject to 15 per cent. withholding income tax (or zero per cent. in certain cases). These tax rates may be reduced or eliminated under the Treaty if the Company invests through a Cyprus subsidiary, subject to compliance with the above procedures.

The use of foreign special-purpose vehicles by non-Russian investors in Russia to hold Russian assets or conduct Russian-based business is common in Russia and, structured properly, is effective in accordance with the Russian legislation and current interpretation thereof. Currently, there is little dispute practice of such investment structures by the Russian tax authorities, although such practice is beginning to emerge and it can not be excluded that such practice may continue to develop, since Russian tax law entitles the Russian tax authorities to challenge structures or transactions whose only goal is tax optimization.

The use of cross-border debt financing of Russian operations is also commonly seen in practice. Russian thin capitalisation rules should be taken into account and the fund plans to structure its operations to minimise the impact of these rules.

No Russian VAT will apply to income resulting from the provision of loans, distribution of dividends and sale/acquisition/holding of shares and other securities.

3. Investors

(a) *Taxation of dividends on Ordinary Shares*

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

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

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

(b) *Taxation of capital gains*

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

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

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

Document duty in Guernsey is calculated at the rate of 0.5 per cent., and is payable on incorporation on the nominal value of the authorised share capital of the Company up to a maximum amount of duty of £5,000 for each company.

(d) *Other United Kingdom tax considerations*

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

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

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

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

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

The definition of interest for the purpose of the Directive extends to distributions from collective investment schemes where the scheme has invested more than 15 per cent. of its assets in interest bearing assets.

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

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

PART 6

ADDITIONAL INFORMATION

1. Responsibility statement

- 1.1 The Company and the Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Deloitte & Touche as Reporting Accountants (whose registered office is set out on page 3 of this document) accept responsibility for the information contained in Part 4 of this document. To the best of the knowledge and belief of the Reporting Accountants (who have taken all reasonable care to ensure that such is the case), the information contained in Part 4 of this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 Deloitte & Touche (whose registered office is set out on page 3 of this document) has given and not withdrawn its written consent to the inclusion of its report on the Company in the form and in the context set out in Part 4 of this document and the references to that report in the form and context in which they appear and has not become aware, since the date of that report, of any matter affecting the validity of that report and has authorised the contents of Part 4 of this document. Deloitte & Touche has no material interest in the Company.

2. The Company and its subsidiaries

- 2.1 The Company was incorporated with limited liability in Guernsey on 22 February 2006 as a limited liability company under the Law, with registered number 44388. The Company is domiciled in Guernsey.
- 2.2 The address of the registered office of the Company is Investec House, La Plaiderie, St. Peter Port, Guernsey GY1 3RP and its telephone number is (+44) (0)1481 735 751.
- 2.3 It is intended that the Company's principal activity will be that of investing in small and mid-sized Russian companies, focusing on the financial, business and consumer services sectors. The Company currently does not have any subsidiaries.
- 2.4 Save for the entry into of the material contracts summarised in paragraph 9 of this Part 6 and certain non-material contracts, since its incorporation the Company has not carried on business.

3. The Directors

The Directors of the Company are:

<i>Name</i>	<i>Function</i>	<i>Age</i>	<i>Date of Appointment</i>
Sir Trevor Chinn	Non-Executive Chairman	70	24 February 2006
John McRoberts	Non-Executive Director	45	22 February 2006
James Cook	Non-Executive Director	42	22 February 2006
Cowasji Magol	Non-Executive Director	58	24 February 2006
Ben Morgan	Non-Executive Director	37	24 February 2006
Stephen Coe	Non-Executive Director	40	24 February 2006
Grant Cameron	Non-Executive Director	41	24 February 2006

all of the registered office.

Further details relating to the Directors are disclosed in paragraph 6 below.

4. Share and loan capital

- 4.1 On incorporation, the authorised share capital of the Company was £2,000,000 comprising 200,000,000 Ordinary Shares of £0.01 each. The issued share capital was £0.02 comprising two Ordinary Shares. Those two Ordinary Shares have been issued, credited as fully paid, to the subscribers to the Memorandum of Association. On 24 February 2006, the two Ordinary Shares issued to the subscribers were transferred to John McRoberts (one share) and James Cook (one share).
- 4.2 By resolutions passed on 24 February 2006 it was resolved conditional on Admission:
- 4.2.1 to adopt new articles of association;
- 4.2.2 that, subject to the approval of the Royal Court of Guernsey, the amount standing to the credit of the share premium account of the Company be cancelled in accordance with the Law and the amount of the share premium account so cancelled be credited as a distributable reserve to be established in the books of account of the Company which shall be able to be applied in any manner in which the Company's profits available for distribution are able to be applied, including the purchase of the Company's own shares and payment of dividends; and
- 4.2.3 that the Company be authorised in accordance with the Companies (Purchase of Own Shares) Ordinance, 1998 to make market purchases (as defined in such Ordinance), provided that:
- (a) the maximum number of Ordinary Shares authorised to be purchased is up to 14.99 per cent. of the Ordinary Shares in issue immediately after Admission (rounded up to the nearest whole number);
 - (b) the minimum price which may be paid for any such Ordinary Share is £0.01;
 - (c) the maximum price which may be paid for any such Ordinary Share is not more than five per cent. above the average of the middle market quotations for the shares for the five business days before the purchase is made;
 - (d) such authority shall expire at the annual general meeting of the Company in 2007 unless such authority is varied, revoked or renewed prior to such date by an ordinary resolution of the Company in general meeting; and
 - (e) the Company may make a contract to purchase Ordinary Shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Ordinary Shares pursuant to any such contract.
- 4.3 74,999,998 new Ordinary Shares are to be allotted and issued pursuant to the Placing. The Placing Shares have been created under the Law. The Placing Shares are denominated in Sterling. It is anticipated that the Placing Shares will be allotted on 20 March 2006, conditional upon Admission and then issued on Admission. Admission is expected to take place on 24 March 2006. The Company's ISIN is GB00B0Z52Y71.
- 4.4 There are no provisions of Guernsey law equivalent to sections 89 to 96 of the Act which confer pre-emption rights on existing shareholders in connection with the allotment of equity securities for cash or otherwise but similar pre-emption rights (with certain exceptions) have been incorporated into the Articles together with a disapplication of such pre-emption rights in relation to allotments of equity shares equating to or nominal value of £150,000. The Articles are summarised in paragraph 5 below.
- 4.5 At the date of this document the authorised and issued fully paid share capital of the Company is:

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

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

<i>Class of shares</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>£</i>	<i>No.</i>	<i>£</i>	<i>No.</i>
Ordinary Shares	2,000,000	200,000,000	750,000	75,000,000

- 4.7 The authorised but unissued share capital of the Company immediately following Admission will be £1,250,000 representing 62.5 per cent. of the authorised share capital (on the assumption that the Placing is fully subscribed).
- 4.8 The Company (or any of its subsidiaries, or any party on the Company's behalf) does not hold any shares in the Company (i.e. treasury shares).
- 4.9 The Company has no outstanding convertible securities, exchangeable securities or securities with warrants.
- 4.10 Save as set out in paragraph 4.17 below, there are no relevant acquisition rights or obligations over the Company's authorised but unissued capital or undertakings to increase the Company's issued share capital.
- 4.11 The Company does not have in issue any listed or unlisted securities not representing share capital.
- 4.12 Save as disclosed in this paragraph 4, there has been no issue of share or loan capital of the Company since its incorporation and all issued shares have been fully paid.
- 4.13 Save as disclosed in paragraph 9 below, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of the Company since its incorporation.
- 4.14 Other than pursuant to the Option Agreement, on Admission no share or loan capital of the Company will be under option or will be agreed conditionally or unconditionally to be put under option.
- 4.15 Other than pursuant to the Placing, none of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.
- 4.16 The Placing Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Placing Shares not to be held through CREST will be posted to allottees within ten business days of Admission. Placing Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Articles, which have been adopted (conditional on Admission), permit the holding of Ordinary Shares in CREST.
- 4.17 The Company has agreed, conditionally upon Admission, to grant the Manager the right to subscribe for new Ordinary Shares in the Company representing 20 per cent. of the issued share capital of the Company as at the date of exercise at the Placing Price per Ordinary Share (subject to adjustments for any dividends per share paid by the Company prior to exercise of the Manager Option), and otherwise on the terms set out in the Option Agreement. Further details of the Option Agreement are set out in paragraph 9 below.
- 4.18 The minimum subscription of the Placing for the purposes of sections 16 and 29 of the Law will be two Ordinary Shares.

- 4.19 The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares including (without limitation to the generality of the foregoing) in relation to voting rights and the right to receive all dividends or other distributions declared, paid or made after Admission.
- 4.20 There have been no public takeover bids by third parties for all or any part of the Company's equity share capital since the Company's incorporation.
- 4.21 Investec and Altium have agreed to use their respective reasonable endeavours, as agents for the Company, to procure institutional investors to subscribe for 75,000,000 Placing Shares at the Placing Price, which will represent approximately 100 per cent. of the enlarged ordinary share capital of the Company following Admission. On the basis that Shareholders prior to the Placing do not participate in the Placing which is open to institutional investors only, the Placing will represent an immediate dilution of such Shareholders of virtually 100 per cent.

5. Memorandum and articles of association

The memorandum of association of the Company provides that the Company's objects include carrying on business as an investment company. The objects of the Company are set out in full in clause 3 of its memorandum of association.

As described in paragraph 4.2.1 of this Part 6, the Company has adopted new articles of association (the "Articles"). The Articles contain, *inter alia*, the following provisions:

5.1 Voting rights

Subject to the rights or restrictions referred to in paragraph 5.2 below and subject to any special rights or restrictions as to voting attached to shares, on a show of hands every holder of Ordinary Shares who is present in person or being a corporation is present by a duly authorised representative, not being himself a member, shall have one vote and on a poll every holder who is present in person or by proxy shall have one vote for each Ordinary Share held by him. A corporate member may, by resolution of its directors or other governing body, authorise a person to act as its representative at general meetings and that person may exercise the same powers as the corporate member could exercise if it were an individual member.

5.2 Restrictions on voting

A member of the Company is not entitled, either in person or by proxy, in respect of any share held by him, to be present at any general meeting of the Company: (a) unless all amounts payable by him in respect of that share have been paid; and (b) while any "direction notice" (as defined in the Articles) served upon him is in effect.

5.3 Dividends

The Company may in general meeting declare a dividend to be paid to the members, according to their respective rights and interests in the profit or capital of the company (up to the amount recommended by the board). The directors may pay such interim dividends as appear to the board to be justified by the profits of the Company. No dividend shall be paid otherwise than out of profits available for distribution in accordance with the Statutes (as defined in the Articles). No dividends payable in respect of an Ordinary Share shall bear interest. Subject to the provisions of the Statutes (as defined in the Articles), any general meeting declaring a dividend may upon the recommendation of the Board direct payment of such dividend wholly or partly by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways, and the Board shall give effect to such resolution.

All dividends shall be apportioned and (subject to any lien of the Company) be paid to Shareholders on the register of Shareholders on the date the dividend is declared, made or paid notwithstanding any subsequent transfer or transmission of shares proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. A dividend unclaimed for a period of 12 years from the date when it became due for payment shall be forfeited and cease to remain owing by the Company.

5.4 *Return of capital*

If the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by the Statutes (as defined in the Articles), divide among the members *in specie* the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may with the same sanction, vest the whole or any part of the whole of the assets in trustees on trusts for the benefit of the members as he with the same sanction thinks fit, but no member shall be compelled to accept any assets on which there is a liability.

5.5 *Variation of rights*

Any rights attaching to a class of shares in the Company may be varied or abrogated with the written consent of the holders of not less than three-quarters of the issued shares of the class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be persons holding, or represented by proxy, not less than one-third of the capital paid on the issued shares of the relevant class.

5.6 *Transfer of shares*

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares in any manner which is permitted by the Statutes (as defined in the Articles) or in any other manner which the directors approve. A transfer of a certificated share shall be in writing in the usual common form or in any other form permitted by the Statutes or which the directors approve. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of those shares. All transfers of uncertificated shares shall be made by means of CREST and as provided in the CREST Guernsey Requirements (as defined in the Articles) or in any other manner which is authorised by the Board and from time to time approved.

The directors may only refuse to register a transfer of an uncertificated share in the circumstances set out in the Regulations and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four. The directors may, in their absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) in certificated form to more than four joint holders or any transfer of any share (not being a fully paid up share) in certificated form on which the Company has a lien. The Board may also refuse to register any transfer of a share unless the instrument of transfer is in respect of only one class of share and in the case of a transfer of a partly paid up share, the instrument of transfer is signed by both the transferor and the transferee. The directors must provide the transferee with a notice of the refusal within two months from the date on which the transfer was lodged in the case of certificated shares or, in respect of uncertificated shares the date on which an instruction was received by the Company through the relevant system. The directors may also, in their absolute discretion and without giving any reason therefore, decline to register a transfer of shares in certificated form unless (i) the instrument of transfer, any application form and any other requested documentation are delivered to the office of the Company or at another place which the directors determine, accompanied by the certificate for the shares to which it relates and other evidence which the directors reasonably require to show the right of the transferor to make the transfer, including such certifications, notifications, agreements and warranties and legal opinions of duly qualified counsel as the directors may reasonably require to ensure that the proposed transferee would be entitled to hold the same in accordance with the Articles and that all applicable laws will be or would have been complied with.

5.7 *Alteration of capital and purchase of own shares*

The Company may alter its share capital as follows:

- 5.7.1 by ordinary resolution, it may increase its share capital, consolidate or divide all or any of its shares into shares of larger amount; (subject to the Statutes (as defined in the Articles)) sub-divide all or any of its shares into shares of smaller amount; cancel any shares not

taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; convert the whole, or any particular class, of its preference shares into redeemable preference shares; issue shares which shall entitle the holder to no voting right or entitle the holder to a restricted voting right; and convert all or any of its fully paid shares of a particular currency into fully paid shares of a different currency;

- 5.7.2 by special resolution and subject to the provisions of the Statutes, it may reduce its share capital, any capital redemption reserve or any share premium account or other undistributable reserves in any manner; and
- 5.7.3 subject to the provisions of the Statutes and in particular the Companies (Purchase of Our Shares) Ordinance 1998 the Company may purchase all or any of its shares of any class, including redeemable preference shares.

5.8 *Pre-emption rights*

Subject to as specified below, the Company, when proposing to allot equity securities (as defined below):

- 5.8.1 shall not allot any of them on any terms to a person unless it has made an offer to each person who holds relevant shares to allot to him on the same or more favourable terms a proportion of those securities which is as nearly as practicable equal to the proportion held by him of the aggregate of relevant shares; and
- 5.8.2 shall not allot any of those securities to a person unless the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made.

This provision of the Articles shall not apply to an allotment of equity securities if such securities are, or are to be, wholly or partly paid up otherwise than in cash.

An offer pursuant to this provision of the Articles shall be made in writing and shall be made to a Shareholder either personally or by sending it by post to that Shareholder or to his registered address or by means of electronic communication (in accordance with the Statutes). If sent by post, the offer is deemed to be made at the time at which the letter would be delivered in the ordinary course of post. If sent by electronic communication, the offer is deemed received by the Shareholder within 48 hours of its dispatch.

Where shares are held by two or more persons jointly, an offer under this provision of the Articles may be made to the joint holder first named in the register of Shareholders in respect of the shares.

In the case of a Shareholder's death or bankruptcy, the offer must be made:

- 5.8.3 by sending it by post in a prepaid letter addressed to the persons claiming to be entitled to the shares in consequence of the death or bankruptcy by name, or by the title of the representatives of the deceased, or trustee of the bankruptcy, or by any like description, at the address supplied for the purpose by those claiming; or
- 5.8.4 (until any such address has been so supplied) by giving the notice in any manner in which it might have been given if the death or bankruptcy has not occurred.

An offer pursuant to this provision of the Articles must state a period of not less than 21 days during which it may be accepted and the offer shall not be withdrawn before the end of that period.

Notwithstanding the above provisions, the directors may be given power by a special resolution to allot equity securities either generally or in respect of a specific allotment such that:

- 5.8.5 this provision of the Articles shall not apply to the allotment; or

- 5.8.6 this provision of the Articles shall apply to the allotment with such modifications as the Directors may determine; and
- 5.8.7 the authority granted by the special resolution may be granted for such period of time as the special resolution permits and such authority may be revoked by a further special resolution.

Notwithstanding that any such power or resolution has expired, the directors may allot equity securities in pursuance of an offer or agreement previously made by the Company if the power or resolution enabled the Company to make an offer or agreement which would or might require equity securities to be allotted after it expired.

This provision of the Articles shall not apply to the allotment of:

- 5.8.8 up to 150,000,000 Shares to be allotted conditional upon the Admission;
- 5.8.9 any other equity securities which are allotted prior to or conditional upon the Admission;
- 5.8.10 any Shares allotted in accordance with the terms of the Option Agreement; and
- 5.8.11 any other equity securities equating to a nominal value of £150,000.

The following definitions apply for the interpretation of the above provisions of the Articles:

- 5.8.12 “equity security” means a relevant share in the Company (other than a share shown in the Memorandum of Association of the Company to have been taken by a subscriber to the Memorandum of Association or a bonus share), or a right to subscribe for, or convert securities into, relevant shares in the Company;
- 5.8.13 a reference to the allotment of equity securities or of equity securities consisting of relevant shares of a particular class includes the grant of a right to subscribe for, or to convert any securities into, relevant shares in the Company or (as the case may be) relevant shares of a particular class; but such a reference does not include the allotment of any relevant shares pursuant to such a right;
- 5.8.14 “relevant shares” means shares in the Company other than shares which as respects dividends and capital carry a right to participate only up to a specified amount in a distribution;
- 5.8.15 a reference to a class of shares is to shares to which the same rights are attached as to voting and as to participation, both as respects dividends and as respects capital, in a distribution; and
- 5.8.16 in relation to an offer to allot equity securities required by this provision of the Articles, a reference to the holder of shares of any description is to whoever was at the close of business on a date, to be specified in the offer and to fall in the period of 28 days immediately before the date of the offer, the holder of shares of that description.

5.9 *Conversion of shares*

The Articles do not confer on the holders of Shares any conversion rights.

5.10 *Redemption of shares*

There are no rights of redemption provided for in the Articles.

5.11 *Allotment of shares*

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares (which special rights shall not be affected, modified or abrogated except with such consent or sanction as is provided in the Articles), the Board may determine to issue one or

more classes of shares and any shares unissued at the date of adoption of the Articles and any shares thereafter created shall be under the control of the Board, which may issue, allot, grant options over and attach to such shares preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise but so that no share shall be issued at a discount to its par value and so that the amount payable on application on each share shall be fixed by the Board.

5.12 *General meetings*

The Board shall convene and the Company shall hold annual general meetings in accordance with the Law. The Articles provide that at least 14 days' prior written notice is required to convene an annual general meeting.

All general meetings other than annual general meetings shall be called extraordinary general meetings and the Board may convene such meetings where it thinks fit.

The quorum for general meetings is two members present in person or by proxy. Where such a quorum is not present within 15 minutes of the time appointed for the holding of the meeting, if convened on the requisition of the members, the meeting shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week (or, if that day is not a business day, to the next business day) and at the same time and place as the original meeting or to such other day and time as the board may decide. If at the adjourned meeting a quorum is not present within 15 minutes from the time fixed for holding the meeting, the members who are present in person or by proxy shall constitute a quorum, failing which the meeting shall be dissolved.

On a show of hands, every member who is present in person or by a duly authorised representative shall have one vote and on a poll, every member who is present in person or by proxy shall have one vote for every Ordinary Share in the Company held by them. In the case of an equality of votes, either on a show of hands or on a poll, the chairman of the meeting shall be entitled to a further casting vote in addition to any vote or votes to which he may be entitled.

5.13 *Ownership thresholds and capital changes*

The Articles require members to notify the Company of their interests and changes therein in accordance with the terms of sections 198 to 210 of the Act. In addition, the Articles require persons who receive a Disclosure Notice (as defined in the Articles) to provide information requested by the Directors to the Company. Failure to do so within 14 days will permit the Board to apply certain restrictions as further specified in the Articles in respect of such shares.

5.14 *Change of Control*

There are no provisions of the Company's Articles that would have an effect of delaying, deferring or preventing a change in control of the Company.

5.15 *Directors*

Number

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall be not less than two but there is no maximum.

Remuneration

Each of the directors shall be entitled to receive such remuneration for his services as the Board may determine provided always that the aggregate remuneration of all directors shall not exceed £300,000 per annum or such higher amount as may be approved by the Company in general meeting. The remuneration may be payable by way of salary, commission, participation in profits, share options or by all or any of those modes, or otherwise as may be thought expedient and it may be a term of his appointment that he shall receive a pension, gratuity or other benefit on his retirement. The directors may be repaid all reasonable travel, hotel and other incidental expenses of attending and returning from meetings of directors or committees of the Board or general meetings and all expenses properly and reasonably incurred by them in the conduct of the Company's business or in the discharge of their duties as directors.

Retirement of directors by rotation

At the first annual general meeting and at each annual general meeting thereafter: (a) any director who was elected or last re-elected a director at or before the annual general meeting held in the third calendar year before the current year shall retire by rotation; and (b) such further directors (if any) shall retire by rotation as would bring the number retiring by rotation up to one-third of the number of directors in office at the date of the notice of the meeting (or, if their number is not a multiple of three, the number nearest to but not greater than one-third).

The directors to retire shall be those of the other directors who have been longest in office since their appointment or last reappointment but, as between persons who became or were last reappointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

A retiring director shall be eligible for re-appointment and (unless he is removed from office or his office is vacated in accordance with the Articles) shall retain office until the close of the meeting at which he retires or (if earlier) when a resolution is passed at that meeting not to fill the vacancy or to appoint another person in his place or the resolution to re-appoint him is put to the meeting and lost.

If at any meeting at which the appointment of a director ought to take place the office vacated by a retiring director is not filled, the retiring director, if willing to act, shall be deemed to be re-appointed, unless at the meeting a resolution is passed not to fill the vacancy or to appoint another person in his place or unless the resolution to appoint him is put to the meeting and lost.

No person shall be required to vacate from office by reason only of the fact that he has attained the age of 70 years or any other age.

Directors' interests

Subject to the provisions of the Statutes (as defined in the Articles), no director or intending director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into on behalf of the Company in which any director is in any way directly or indirectly interested be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such director holding that office, or of the fiduciary relationship thereby established, provided that the nature of this interest has been declared by him at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, or if the director was not at the date of that meeting interested in the proposed contract or arrangement, then at the next meeting of the Board held after he became so interested, and in a case where the director becomes interested in a contract or arrangement after it is made, then at the first meeting of the Board held after he becomes so interested. A general notice in writing given to the Board by any director to the effect that he is a shareholder of any specified company or firm, and is to be regarded as interested in any contract which may thereafter be made with such company or firm, shall (if such director shall give the same at a meeting of the Board or shall take reasonable steps to secure that the same is brought up and read at the next meeting of the Board after it is given) be deemed a sufficient declaration of interest in relation to any contract so made. An interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his.

Save as provided below, provided a director shall not vote or be counted in the quorum in relation to any resolution of the Board or a committee of the Board concerning any contract or arrangement or any other proposal whatsoever in which he is to his knowledge alone or together with any person connected with him materially interested otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum of a meeting in relation to any resolution on which he is debarred from voting.

Subject to the Statutes and any rules governing companies listed on AIM and provided such director has disclosed to the Board the nature and extent of any material interest, a director shall

(in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:

- 5.15.1 the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company (or any of its subsidiary undertakings) or in respect of a debt or obligation of the Company (or any of its subsidiary undertakings) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- 5.15.2 any contract concerning an offer of shares, debentures or other securities by the Company (or any of its subsidiary undertakings) in which offer he is or may be entitled to participate as a holder of securities or he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- 5.15.3 any contract in which he is interested by virtue of his interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
- 5.15.4 a proposal concerning another company in which he is not interested, directly or indirectly, in one per cent, or more either of its equity share capital or of its voting rights;
- 5.15.5 an arrangement for the benefit of the employees of the Company (or any of its subsidiary undertakings) which does not award the director a privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
- 5.15.6 a proposal concerning the purchase or maintenance of insurance for the benefit of persons who include directors.

Where proposals are under consideration concerning the appointment (including fixing or varying its terms) or the termination of the appointment of two or more directors, a separate resolution may be put in relation to each director. In each case, each director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

5.16 *Benefits*

Any director may continue to be or become a director of, or hold any other office or place of profit under, any other company in which the Company may be interested, and no such director shall be accountable for any remuneration, salary, commission, participation in profits, pension, superannuation or other benefits received by him as a director of, or holder of any other office or place of profit under, or member of, any such other company. The Board may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner in all respects as it may think fit (including the exercise thereof in favour of any resolution appointing the Directors or any of them directors of such company, or voting or providing for the payment of remuneration to the directors of such company).

5.17 *Borrowing powers*

The directors may exercise all the powers of the Company to borrow money and to guarantee, mortgage hypothecate, pledge or charge all or any part of 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.

5.18 *Indemnity of officers*

The directors, secretary and other officers or servants or agents for the time being of the Company shall be indemnified out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses in respect of which they may lawfully be indemnified which they or any of them shall or may incur or sustain by reason of any contract entered into or any act done, concurred in, or omitted, in or about the execution of their duty or supposed duty or in relation thereto, except such (if any) as they shall incur or sustain by or through their own wilful act,

negligence or default respectively, and none of them shall be answerable for the acts, receipts, negligence or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for any bankers, brokers, or other persons into whose hands any money or assets of the Company may come, or for any defect of title of the Company to any property purchased, or for the insufficiency or deficiency or defect of title of the Company, to any security upon which any moneys of the Company shall be invested, or for any loss or damage occasioned by an error of judgement or oversight on their part, or for any other loss, damage or misfortune whatsoever which shall happen in the execution of their respective offices or in relation thereto, except the same shall happen by or through their own wilful act, negligence or default respectively.

The Company may purchase and maintain for or for the benefit of any director, and other officer of the Company or any subsidiary including insurance against costs, charges, expenses, losses or liabilities suffered or incurred by such persons in the actual or purported discharge of their respective duties, powers and discretions in relation to the Company.

5.19 CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares have been made eligible for settlement in CREST by means of a resolution of the Board passed on 20 March 2006. The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

6. Directors' and other interests

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

<i>Director</i>	<i>Before Admission</i>		<i>Following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued share capital*</i>
Sir Trevor Chinn	—	—	500,000	0.67%
John McRoberts ¹	1	50%	300,000	0.40%
James Cook ²	1	50%	300,000	0.40%
Cowasji Magol	—	—	50,000	0.07%
Ben Morgan	—	—	—	—
Stephen Coe	—	—	—	—
Grant Cameron	—	—	—	—

*On the basis that the Placing is fully subscribed.

1. The Manager will following Admission be directly interested in 250,000 Ordinary Shares. Accordingly, John McRoberts is deemed to be indirectly interested (through his holding of 47.5 per cent. of the ordinary shares of the Manager) in 118,750 Ordinary Shares. John McRoberts is also deemed to be indirectly interested (through his holding of 42.5 per cent. of the non-voting preference shares of the Manager) in 8.5 per cent. of the Ordinary Shares of the Company following exercise by the Manager of the Manager Option. Further details of the Manager Option are set out in paragraph 9.2 below.
2. The Manager will following Admission be directly interested in 250,000 Ordinary Shares. Accordingly, James Cook is deemed to be indirectly interested (through his holding of 47.5 per cent. of the ordinary shares of the Manager) in 118,750 Ordinary Shares. James Cook is also deemed to be indirectly interested (through his holding of 42.5 per cent. of the non-voting preference shares of the Manager) in 8.5 per cent. of the Ordinary Shares of the Company following exercise by the Manager of the Manager Option. Further details of the Manager Option are set out in paragraph 9.2 below.

- 6.2 Save as disclosed in paragraph 6.1 above, the Company is not aware of any person who will, as at the date of the publication of this document or immediately following Admission, be interested directly or indirectly in three per cent. or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.
- 6.3 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.
- 6.4 Save in respect of the Management Agreement and the Option Agreement, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- 6.5 The persons, including the persons referred to in paragraph 6.1 of this Part 6, do not have voting rights in respect of the share capital at the Company (issued or to be issued) which differ from any other Shareholder of the Company.
- 6.6 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships or partnerships:

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
Sir Trevor Chinn	AA Top Co Limited AA Acquisition Co Limited AA Junior Mezzanine Co Limited AA SPC Co Limited AA Pensions Trustees Limited Automotive Skills Ltd Inspirational Development Consulting Limited Inspirational Development Group Limited ITIS Holdings PLC Jewish Association for Business Ethics Jewish Community Centre UK Mast Inspirational Development Limited The AA Motoring Trust Vigilant Technology Ltd	AA Corporation Limited AA Financial Services Limited AA Road Services Limited AA The Driving School Agency Limited Automobile Association Developments Limited Automobile Association Holdings Limited Automobile Association Insurance Services Holdings Limited Automobile Association Insurance Services Limited Automobile Association Protection and Investment Planning Limited The Britech Foundation Limited Hampstead Theatre Limited Kwik-Fit Group Limited Kwik-Fit Finance Limited Lex Multipart Limited Morgan Brown Limited Multipart (Holdings) Limited RAC Holdings Limited RAC plc Royal Automobile Club Foundation for Motoring Limited United Synagogue Pension Trustee Limited Volkswagen Assistance Limited
John McRoberts	Altium Capital CIS Limited International Marketing and Sales Group Plc	—
James Cook	ZAO DeltaBank DRB Holdings N.V. ZAO Forus Bank	DC Mortgage Finance Netherlands N.V. ZAO DeltaCredit

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
		ZAO DeltaLeasing ZAO DeltaLease Far East
Cowasji Magol	Andrew Close Ltd	Cadbury Russia Ltd Chaffinch Ltd Magpie Finance Ltd Magpie Two Finance Ltd Magpie Three Finance Ltd Nuthatch Trading Ltd
Ben Morgan	AnaCap FP GP Limited BB BIOTECH VENTURES GP (Guernsey) Limited Carey Olsen (partnership) C.O. 1 Limited C.O. 2 Limited Converium PCC Limited Covent Garden (General Partner) Limited CPC Limited Danske Leveraged Fund PCC Limited DLF Management (Guernsey) Limited Fitzwilliam Active Management PCC Limited Fitzwilliam Asset Management (Guernsey) Limited INGO Real Estate Management (Guernsey) Limited INGO Real Estate PFCE Management Limited ING (UK) Listed Real Estate Nominee (No 1) Limited ING (UK) Listed Real Estate Nominee (No 2) Limited ING UK Property Income (General Partner) Limited ING (UK) Property Nominee (No 1) Limited ING (UK) Property Nominee (No 2) Limited ING UK RF Management Limited La Rochefoucauld Asset Management Limited Managed Investments PCC Limited Northgate (General Partner) Limited OFM Management (Guernsey) Limited Olsens Corporate Finance Limited RPC Limited (in liquidation) Saltus (C.I.) Limited The UBK Belgian Finance Company NV The UBK Belgian Property Company Limited The UBK Belgian Property Company No 2 NV The UBK Commercial Property	Eagle Star Trust Company (Guernsey) Limited Esolutions (Offshore) Limited Iron Arm Nominees Limited (in voluntary liquidation) Iron Arm Secretaries Limited (in voluntary liquidation) Iron Arm Limited (in voluntary liquidation) Keldon Consultants (Guernsey) Limited Marylebone PCC Limited Mentor Secretaries Limited Mentor Nominees Limited Mentor Trustees Limited Mentor Trust Limited MINC Residential Property Fund Limited Pinnacle Ventures Limited Prospero Fund Limited SG Europe Limited SG Overseas Limited The UBK French Property Company Limited (liquidated) West LB (Guernsey) Limited (in) voluntary liquidation Zurich International Services Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
	Company Limited The UBK Dutch Property Company Limited The UBK European Property Company Limited The UBK German Property Company Limited The UBK Residential Property Company Limited (in liquidation) The UBK United Kingdom Property Company No 2 Limited The UBK United Kingdom Property Company Limited Total Return Fund PCC Limited Treasure Re PCC Limited	
Stephen Coe	Accelerated Global Growth Basket Limited Alborg Plc Ampurius Nu Homes Investments Limited Arkle Limited Ashcourt Asset Management Limited British Real Estate Dollar Fund Limited, The British Real Estate Fund Limited, The British Real Estate Property Accumulation Fund Limited, The Care Home Properties Limited Chateau First Properties SARL (CFPS) Congleton Management Limited Degas Holding Limited Dorchester Guernsey General Partner Limited Energy Investment Holdings Inc. Finistere (UK) Nominees Limited Finistere Directors Limited Finistere Limited Finistere Secretaries Limited Fintique Three (BVI) Limited FIX Protocol Holdings (Jersey) Limited Flying Tyndall Holdings Limited Flying Tyndall Upper Limited GFT Directors Limited Glanmore Investments Limited Glanmore Longus House 1 Limited Glanmore Longus House 2 Limited Glanmore Property Accumulation Fund Limited, The Glanmore Property Dollar Fund Limited, The Glanmore Property Fund Limited Globe Films Management (CI) Limited	Able Investments Limited Alborg plc A.L.E. Limited Afri Services Limited Amphrite Marine Limited Anglo Chinese Properties Limited Ark Interactive Limited Asaa Limited Ashcourt Select Portfolio Limited Atwood Consultants Limited Avionics Limited Bachmann Fund Administration Limited Bachmann Trust Company Limited Beauvoir Investments Limited Begonia Limited Berryhill Properties Limited Beta Corporate Services Limited Caribbean Charters Limited Chestfield Limited Chez Nous Limited Cloudpoint Company Limited Coachland Company Limited Dawson Management Limited Dellaire Trading Co Limited Deren Properties Limited Devil Limited Dimsey Trading Corp Dortmund Technology Limited Edward Tomkins Limited Equatorial Aircraft Leasing Corporation Estron Investments Limited Executive Wealth Management Limited Far Eastern Investments Limited Felkini Limited Fiedelman S.A. First Magellan Limited

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
	Hamilton Corporate Finance (Guernsey) Limited	Flowdale Limited
	HCF Guernsey Limited	Flower Investments Limited
	HCHP Limited	Freeflo Distribution Ltd
	Healthcare Alpha Limited	Gentrac Investments Limited
	Healthcare Beta Limited	Granfole Trading Limited
	Healthcare Delta Limited	Greencool International Limited
	Healthcare Holdings Limited	Green Halgh Trading & Investments Limited
	Healthcare Property Investments Limited	Harrogate Overseas Limited
	Healthcare Real Estate Holdings Limited	HDD Limited
	Healthcare Real Estate Investors Limited	Highwater Company Limited
	Heathrow Business Centre Limited	Human Resource Management Services Limited
	Heathrow Site No. 10 (C.I.) Limited	I.D.M.D. Limited
	Heathrow Site No. 9 (C.I.) Limited	Innus C.I. Limited
	HH Properties Limited	International Seafarers Limited
	HHLC Limited	Intpharma Marketing Limited
	HIC Limited	Investec Recovery Partners Limited
	HICS Limited	ISL Services (Guernsey) Limited
	Highbury Hill Limited	Jesto Investments Limited
	HIHP Limited	JVI Europe Limited
	IHP Limited	Kaiser Properties S.A.
	International Power (Sussex) Limited	L'Escapade Et Paradiso Limited
	Investec Administration Services Limited	Lago Investments Limited
	Investec Recovery Partners I Limited	Laguna International Limited
	Investec Trust (Guernsey) Limited	Le Truchon Properties Limited
	ITGL UK Nominees Limited	Lisarda Limited
	Maghull Limited	London Place Company Limited
	Maghull Management Limited	Lynch Gate Trading Limited
	Matrix Property Fund Management (Guernsey) Limited	Manor Resources Limited
	MP Trustees Limited	Mary Holdings Limited
	Northern Property Investment Company Limited, The	MC Aviation Limited
	Optimal Investment Growth Basket Limited	Media Trade International Limited
	Palm Developments Limited	Mengen Investments Limited
	Petrushka Limited	Middle East Investments Limited
	Pinnacle Holdings Limited	MLA Holdings Limited
	Raven Russia Limited	Montague Properties Limited
	Rishon Properties Limited	Netlink Limited
	Senator House Holdings Limited	Nicole Enterprises Limited
	SMS Investors Inc.	Nolan-Neves Holdings Limited
	Specialised Care Properties Limited	Octagon Group Limited (formerly Octagon Limited)
	Spedition Center Kassel GmbH	Octagon Holdings Limited
	Supported Living Limited	Octagon Investments Limited
	Synergy Perth Trustee Limited	OLMS Limited
	The Ukraine Fund Limited	Ormintide S.A.
	Timber Investments Inc.	Pan Gulf Energy Holdings Limited
	Townhouse Limited	Pan Gulf Hotel Investments Limited
	Victorian Mansions Limited	Parkside Investments Limited
	Worldwide Aircraft Holding Company (Bermuda) Limited	Piped Utilities Resources Limited
	York Limited	Platino Investments Ltd
		Poltex Limited
		Popham Holdings Corporation
		Portcullis Trading Limited
		Pugsley Limited
		Quail Investments Limited
		Reeb Limited
		Reliance Global Communications

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Previous directorships/partnerships</i>
		(CI) Limited Remairado Investments Limited Riomar Investments Limited SANS Fibres (Europe) Limited Sea Melody Corporation Sea Neptune Corporation SGLT Belgium SA Sloane Trading Limited Souee Consultants Limited SPF Limited Student Property Leasing Fund Limited Tarnmour Investments Limited Teleaxis International Limited Templeton Enterprises Limited The Ashcourt Bond Fund Limited The Eagle Healthcare Fund Limited The Healthcare Fund Limited Tokia Trading International Limited Tradefin International Limited UIG (Rubber) Limited Universal Investments (Guernsey) Limited Walmor Investments Limited Witherby Investments Limited Woodstar Limited Wwwatt CD Limited
Grant Cameron	ARF2 Euro Hedge Fund Limited Guernsey Investment Fund Association Guinness Flight (Guernsey) Nominees Ltd. Gulf Overseas Investment Funds Limited Investec Asset Management Channel Islands Limited Investment Asset Management Guernsey Limited Investec Asset Management Ireland Limited Investec Global Access Fund PCC Limited Investec International Money Market Fund Investec Liquidity Funds plc Investec Premier Funds PCC Limited Investec Professional Investment Funds PCC Limited Investec Trio Limited Wilfred T. Fry (C.I.) Limited	ARF2 Sterling Hedge Fund Ltd Association of Unit Trusts Finistere Life Assurance Company Limited Investec Asset Management Jersey Limited Investec Fund Managers SA Ltd Investec Global Strategy Fund Limited Investec Indian Equity Fund Limited Investec International Accumulation Fund Limited Investec Investment Management Ireland Limited Investec Select Funds Plc Investec 3000 Ltd Quartz SA (Pty) Limited

6.7 None of the Directors has any unspent convictions in relation to indictable offences.

6.8 None of the Directors have been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies).

- 6.9 None of the Directors has been a director of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, save for (a) Sir Trevor Chinn who resigned in February 1999 as a director of Robins Cinemas which was placed into voluntary liquidation in November 1999, (b) Grant Cameron who was a director of each of Investec Select Fund Plc (which was voluntarily wound up on 23 February 2005), Investec International Accumulation Fund Limited (which was voluntarily wound up on 24 June 2005) and ARF2 Sterling Hedge Fund Ltd (which was voluntarily wound up towards the end of 2005) and (c) Ben Morgan who was a director of each of Iron Arm Limited (which was voluntarily wound up on 9 February 2005), Iron Arm Nominees Limited (which was voluntarily wound up on 20 April 2005), Iron Arm Secretaries Limited (which was voluntarily wound up on 20 April 2005), WestLB Guernsey Limited (which was voluntarily wound up on 12 October 2005) and The UBK French Property Company Limited (which was voluntarily wound up on 3 November 2005).
- 6.10 None of the Directors has been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 6.11 No asset of any Director has at any time been the subject of a receivership.
- 6.12 None of the Directors are or has been bankrupt nor made at any time an individual voluntary arrangement.
- 6.13 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.14 There are no outstanding loans granted by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for their benefit.

7. Directors' letters of appointment

- 7.1 No Director has a service contract with the Company, nor are any such contracts proposed. Each Director entered into a letter of appointment with the Company which provides for them to act as a non-executive Director of the Company.
- 7.2 Pursuant to such letters (a) Sir Trevor Chinn, as Chairman, will receive a fee of £50,000 per annum and a service company related to him will receive a fee of £20,000 per annum in respect of office costs, (b) Cowasji Magol will receive a fee of £30,000 per annum and (c) Stephen Coe, Grant Cameron and Ben Morgan will each receive a fee of £20,000 per annum. John McRoberts and James Cook will not receive any fee. The Company will also reimburse the Directors for all reasonable out of pocket expenses incurred by any of them exclusively in connection with the provision of their respective services as a non-executive Director of the Company. Each appointment is for an initial period of one year and is terminable on 90 days' notice by either party.
- 7.3 No remuneration has been paid (including benefits in kind) to the Directors up to the date of this document. It is estimated that the aggregate remuneration and benefits in kind payable to the Directors by members of the Group in respect of the current financial year (under the arrangements in force at the date of this document) will be approximately £133,333.
- 7.4 Other than the payment of benefits during the notice period set out above, the Directors' letters of appointment provide for no benefits upon termination of employment.

- 7.5 The expiration of each Director's current term of office, if applicable, and the period during which that Director has served in such office are as follows:

<i>Name</i>	<i>Expiration of Current Term</i>	<i>Date of Appointment</i>
Sir Trevor Chinn	23 February 2007	24 February 2006
John McRoberts	21 February 2007	22 February 2006
James Cook	21 February 2007	22 February 2006
Cowasji Magol	23 February 2007	24 February 2006
Ben Morgan	23 February 2007	24 February 2006
Stephen Coe	23 February 2007	24 February 2006
Grant Cameron	23 February 2007	24 February 2006

8. Placing and lock-up arrangements

- 8.1 Under an agreement (the "Placing Agreement") dated 20 March 2006 and made between the Company (1), the Directors (2), the Manager (3), Investec (4) and Altium (5), Investec and Altium have agreed (conditionally, *inter alia*, on Admission taking place not later than 7 April 2006) as agents for the Company to use their respective reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Under the Placing Agreement and subject to its becoming unconditional:

- 8.1.1 the Company has agreed to pay Investec a commission of three per cent. and Altium a commission of one per cent., in each case, of the value at the Placing Price of the Placing Shares together with any applicable VAT; and
- 8.1.2 the Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains warranties and indemnities given by the Company, the Manager and the Directors to Investec and Altium as to the accuracy of the information contained in this document and other matters relating to the Group and its business. Investec (in consultation with Altium) is entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

Each Director has undertaken to the Company, the Nominated Adviser and the Joint Brokers that, except in certain limited circumstances (including acceptance of a general offer to holders of all the Ordinary Shares), they will not dispose of any Ordinary Shares for a period of 12 months following Admission. The Directors have also undertaken not to dispose of any Ordinary Shares for a period of 12 months following the first anniversary of Admission otherwise than through the Company's broker from time to time.

9. Material contracts

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

- 9.1 The Placing Agreement, details of which are set out in paragraph 8 above.
- 9.2 The Option Agreement dated 20 March 2006 pursuant to which the Manager has been granted the right to subscribe for Ordinary Shares representing 20 per cent. of the issued share capital of the Company as at the date of exercise of the Manager Option at the Placing Price per Ordinary Share (subject to adjustments for any dividends per share paid by the Company prior to exercise of the Manager); provided that the total shareholder return on the Ordinary Shares as compared to the Placing Price has increased by at least 12 per cent. per annum from the date of Admission until exercise measured by reference to the average of the closing mid-market prices of the Ordinary Shares in the three months prior to the date on which the Manager Option becomes

exercisable (the “Hurdle Rate”) and, provided further that if any additional Ordinary Shares are issued following Admission as part of any secondary fundraising, the exercise price of the Manager Option in respect of such additional shares shall be the issue price paid for such shares pursuant to such secondary fundraising (subject to adjustments for any dividends per share paid by the Company prior to exercise by the Manager). The Manager Option is exercisable at any time during the period between the third and tenth anniversaries of the date of Admission; provided that the Hurdle Rate has been met prior to the date of exercise of the Manager Option. The Manager Option shall also become exercisable at any time between the date of Admission and the tenth anniversary thereof in the event that a takeover offer is made for the Company or on the Company’s liquidation. In such circumstances, the Manager does not need to satisfy the Hurdle Rate in order to exercise the Manager Option.

- 9.3 The Management Agreement between the Company (1) and the Manager (2) pursuant to which the Company has appointed the Manager to provide investment advisory and management services to the Company. The Manager’s duties under the Management Agreement are to act in an advisory capacity only and not to perform any of the executive functions of the Company.

The key terms of the Management Agreement are:

Fees and expenses

In consideration for its services provided pursuant to the Management Agreement, the Manager is entitled to be paid a management fee in cash equal to up to £1,500,000 for the period from the date of Admission to 31 December 2006 (being £1,000,000 payable following Admission together with a further fee of up to £500,000 payable in July 2006 at the discretion of the Board) and thereafter a management fee payable semi-annually in advance equal to two per cent. of the net asset value of the Company calculated in accordance with the valuation policy.

The net asset value of the Company will be calculated by the Administrator.

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

Termination

The Management Agreement is to run for an initial five year term from Admission. The Management Agreement may also be terminated by the Company in the event of any material breach of the Management Agreement, gross misconduct or fraud on the part of the Manager, or the insolvency of the Manager, or, after the expiry of the initial term, upon either party giving to the other not less than 24 months’ notice to terminate.

Costs

The Company is responsible for third party and out of pocket expenses reasonably incurred by the Manager in carrying out its services under the Management Agreement.

Liability and Indemnity

The Manager shall not be liable for any loss suffered by the Company save in the case of any loss caused by the negligence, wilful misconduct, fraud or bad faith of the Manager. The Manager is entitled to be indemnified by the Company for any loss that it suffers other than as a result of the Manager’s negligence, wilful misconduct or fraud. Any payments under this indemnity must be approved by those Directors who are independent of the Manager.

- 9.4 The Nominated Adviser and Broker Agreement dated 20 March 2006 between the Company (1), Investec (2) and the Directors (3), whereby Investec is appointed to act as Nominated Adviser and Joint Broker to the Company. For these services Investec shall receive an annual fixed fee payable half yearly in advance by the Company of £50,000. The Nominated Adviser and Broker Agreement is terminable at any time by either party for material breach by the other party and, unless earlier terminated, may be terminated at any time by either party after the first anniversary of Admission on giving not less than three months’ prior written notice of the same to the other party.

- 9.5 The Broker Agreement dated 20 March 2006 between the Company (1), Altium (2) and the Directors (3), whereby Altium is appointed to act as Joint Broker to the Company. For these services Altium shall receive an annual fixed fee payable quarterly in advance by the Company of £20,000. The Broker Agreement is terminable at any time by either party for material breach by the other party and, unless earlier terminated, may be terminated at any time by either party after the first anniversary of Admission on giving not less than three months' prior written notice of the same to the other party.
- 9.6 The Administration Agreement dated 20 March 2006 between the Company (1) and the Administrator (2), whereby the Administrator is appointed to act as administrator, secretary and perform certain registration, custodial and accounting services in relation to the Company. For these services the Company will pay the Administrator an annual fee of up to 0.10 per cent. of the net asset value of the Company from time to time payable quarterly in arrears. In addition, the Administrator shall receive a transaction fee from the Company of £1,000 per acquisition or disposal of investments and a one-off set-up fee of £7,500. The Administration Agreement is terminable by either party on not less than 90 days' notice save in certain limited circumstances in which case the Administration Agreement may be terminated forthwith. The Administration Agreement contains an indemnity in favour of the Administrator for any costs incurred in the performance of its duties save where due to its own negligence or wilful default.
- 9.7 The Offshore Registrar Agreement dated 20 March 2006 between the Company (1) and the Registrar (2) in respect of Registration Services (as defined therein) to be provided by the Registrar. The duties include, *inter alia*, the maintenance of a register and the maintenance of dividend payment instructions. Under the terms of the Offshore Registrar Agreement, the Registrar may appoint a transfer agent in the UK. The Registrar shall be entitled to receive a basic fee of £2.00 per shareholder account per annum subject to an annual minimum charge of £5,500 together with additional fees payable per transfer.

10. Mandatory offers and compulsory acquisition of shares

The Takeover Code applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure fair and equal treatment of shareholders in relation to takeovers and an orderly framework within which takeovers are conducted. The Takeover Code has not, and does not seek to have, the force of law, but has been endorsed by the FSA under the FSMA. The FSA may, at the request of the Takeover Panel, take enforcement action against a person authorised under that act who contravenes the Takeover Code or a Takeover Panel ruling.

The Takeover Code is based upon a number of general principles which are essentially statements of good standards of commercial behaviour. One such principle states that where control of a company is acquired by a person, or persons acting in concert, a general offer to all other shareholders is normally required. A similar obligation may arise if control is consolidated. "Control" for these purposes means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the holding or holdings have *de facto* control. "Voting rights" for these purposes means all the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Takeover Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent. of the voting rights.

Sections 428 to 430F of the Act contain provisions, which apply in certain circumstances to require and entitle persons making a takeover offer for the shares in the Company and who acquire 90 per cent. or more of the shares to which such offer relates (if all other conditions of that offer have been satisfied or waived) to acquire and for the holders of shares in the Company to be entitled and require to sell the shares held by the non-acceptors of that offer, in each case, on a mandatory basis and on the same terms as the takeover offer.

11. Working capital

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

12. Litigation

The Group is not, nor has it at any time in the 12 months immediately preceding the date of this document been, engaged in any governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Group, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the recent past, a significant effect on the Group's financial position or profitability.

13. Third party information

The figures and certain information set out in Part 2 of this document have been sourced from OECD, the British Embassy Report, ING Bank N.V. and Datastream. The Company confirms that the information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

14. Miscellaneous

- 14.1 There has been no significant change in the financial or trading position of the Group since 22 February 2006, the date of incorporation of the Company.
- 14.2 The total costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 8 above) payable by the Company are estimated to be approximately £4,500,000 including any VAT payable. The net proceeds of the Placing will be £70,500,000 (assuming that the Placing is subscribed in full).
- 14.3 In making any investment decision in respect of the Placing, no information or representation should be relied on in relation to the Placing, the Group or the new Ordinary Shares, other than as contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this document nor any subscription made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.
- 14.4 Deloitte & Touche, whose registered office is Regency Court, Gategny Esplanade, St. Peter Port, Guernsey, GY1 3HW, accepts responsibility for the information contained in Part 4 of this document. To the best of the knowledge of Deloitte & Touche (which has taken all reasonable care to ensure that such is the case) the information in Part 4 of this document is in accordance with the facts and makes no omission likely to effect the impact of such information.
- 14.5 Deloitte & Touche has given and has not withdrawn its written consent to the inclusion of its report in Part 4 of this document and the references to the report in the form and context in which they are included.
- 14.6 Investec is registered in England and Wales under number 489604 and its registered office is at 2 Gresham Street, London EC2V 7QP. Investec is regulated by the FSA.
- 14.7 Altium is registered in England and Wales under number 1072627 and the registered office is at 30 St. James's Square, London SW1Y 4AL. Altium is regulated by the FSA.
- 14.8 Save as otherwise disclosed in this document:

- 14.8.1 there are no patents or other intellectual property rights, licences or particular contracts or new manufacturing processes which are of fundamental importance to the Group's business;
 - 14.8.2 there have been no interruptions in the Group's business in the 12 months preceding the publication of this document which may have or had a significant effect on the Group's financial position; and
 - 14.8.3 there have been no principal investments, nor are there any in progress or under active consideration.
- 14.9 No person (excluding professional advisers and others as disclosed in this document and trade suppliers) has:
- 14.9.1 received, directly or indirectly, from any member of the Group within the 12 months preceding the date of application for Admission; or
 - 14.9.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Group on or after Admission any of the following:
 - 14.9.2.1 fees totalling £10,000 or more;
 - 14.9.2.2 securities in any member of the Group with a value of £10,000 or more calculated by reference to the Placing Price; or
 - 14.9.2.3 any other benefit with a value of £10,000 or more at the date of Admission.

15. Documents available for inspection

Copies of this document, the memorandum of association and Articles of the Company and the accountant's report set out in Part 4 of this document will be available for inspection, free of charge, to the public at the office of Investec of 2 Gresham Street, London EC2V 7QP during usual business hours on any weekday (public holidays excepted) until the date falling one month after the date of this document.

Dated 20 March 2006

