THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in doubt about the content of this document, you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an admission document has been prepared by and is the sole responsibility of the Directors of Rurelec plc (the "Company") in connection with its proposed application for admission of the Ordinary Shares and Placing Warrants to trading on AIM, a market of London Stock Exchange plc. Copies of this document have not been delivered to the Registrar of Companies. This document is not a prospectus for the purposes of the Public Offers of Securities Regulations 1995 ("POS Regulations").

The Directors, whose names appear on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of 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.

Application will be made for all of the Ordinary Shares of the Company, in issue and to be issued pursuant to the Placing and the Placing Warrants, to be admitted to trading on AIM. 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 (the "Official List"). A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made or will be made for admission of the Ordinary Shares or the Placing Warrants to the Official List. Further, neither the UKLA nor London Stock Exchange plc has examined or approved the contents of this document. Neither the Ordinary Shares nor the Placing Warrants are traded on any other recognised investment exchange and no such applications have been or will be made for the Ordinary Shares or the Placing Warrants to be admitted to trading on any such exchange. The Company is a recently formed company with no trading record. Investors should read the whole text of this document. The attention of investors is drawn in particular to the "Risk Factors" set out in Part II of this document. It is expected that admission to AIM will become effective and that dealings in the Ordinary Shares and the Placing Warrants will commence on AIM on 18 August 2004.

RURELEC

RURELEC PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 4812855)

Placing of 2,000,000 Ordinary Shares of 2 pence each at 40 pence per share

Issue of 1,000,000 Placing Warrants

Admission to trading on AIM

Nominated Adviser
Arbuthnot Securities Limited

Broker
Hichens, Harrison & Co. plc

Ordinary share capital following Admission

Authorised			*Issued and fully paid*	
Number	*Amount*		*Number*	*Amount*
30,000,000	£600,000	Ordinary Shares of 2 pence each	12,000,000	£240,000

The Placing Shares will, on issue, rank *pari passu* with the existing Ordinary Shares and will rank in full for all dividends and other distributions declared after their issue in respect of the ordinary share capital of the Company.

Arbuthnot Securities Limited, which is regulated by the Financial Services Authority, is acting as nominated adviser to the Company. It will not be responsible to any person other than the Company for providing the protections afforded to its customers or for advising any other person on the contents of any part this document. The responsibilities of Arbuthnot Securities Limited as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director or Shareholder or to any other person, whether in respect of any decision to acquire Ordinary Shares or Placing Warrants in reliance on any part of this document or otherwise. Arbuthnot Securities Limited is not making any representation or warranty, express or implied, as to the contents of this document.

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The Placing described in this document is only being made in the United Kingdom. This document does not constitute an offer to sell, or the solicitation of an offer to buy, shares in any jurisdiction in which such offer or solicitation is unlawful and is not for distribution in or into Australia, Canada, Japan, the Republic of Ireland or the United States or to any resident, national or citizen of such countries. The Placing Shares, the Placing Warrants and the Ordinary Shares have not been, and will not be, registered under the applicable securities laws of the United States, Canada, Japan, Australia or the Republic of Ireland. 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 such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

In making any investment decision in respect of the Placing, no information or representation should be relied upon in relation to the Placing or in relation to the Placing Shares or the Placing Warrants other than as contained in this document. No person has been authorised to give any information or make any representation other than as contained in this document, and if given or made, any such information or representation must not be relied upon as having been authorised.

This document contains forward looking statements, including, without limitation, statements containing the words "believe", "anticipated", "expected" and similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors" set out in Part II of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward looking statements. The Company disclaims any obligation to update any such forward looking statements in this document to reflect future events or developments.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	James Glynn West *(Chairman and Non-Executive Director)* Peter Richard Stephen Earl *(Managing Director)* John Michael Eyre *(Director of Engineering)* Elizabeth Ruth Shaw *(Director of Finance)* Francis Mattos *(Non-Executive Director)*
Company Secretary	Susan Angela Laker
Registered Office	5th Floor Prince Consort House 27-29 Albert Embankment London SE1 7TJ
Nominated Adviser	Arbuthnot Securities Limited Arbuthnot House 20 Ropemaker Street London EC2Y 9AR
Broker	Hichens, Harrison & Co. plc Bell Court House 11 Blomfield Street London EC2M 1LB
Solicitors to the Company	Hammonds 7 Devonshire Square Cutlers Gardens London EC2M 4YH
Solicitors to the Nominated Adviser	Pinsents Dashwood House 69 Old Broad Street London EC2M 1NR
Auditors and Reporting Accountants	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

DEFINITIONS

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

"ABI Guidelines"	the guidelines of the Association of British Insurers as applicable to employee share and other investment schemes and the status and size of the Company
"Acquisition"	the acquisition of ESA
"Act" or "Companies Act"	the Companies Act 1985, as amended
"Admission"	the admission of the issued and to be issued share capital of the Company and the Placing Warrants to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	AIM, a market of the London Stock Exchange
"AIM Rules"	the rules of AIM as set out in Chapter 16 of the Rules of the London Stock Exchange
"Arbuthnot Securities"	Arbuthnot Securities Limited, the Company's nominated adviser
"Articles"	the articles of association of the Company
"Board"	the board of directors of the Company, including a duly constituted committee of such directors
"Broker" or "Hichens Harrison"	Hichens, Harrison & Co. plc
"Broker Warrants"	75,000 warrants to be issued to Hichens Harrison on the date of Admission to subscribe for 75,000 Ordinary Shares at the Placing Price, further details of which are set out in paragraph 7 of Part IV of this document
"Combined Code"	the "Combined Code on Corporate Governance" published in July 2003 by the Financial Reporting Council
"CREST"	the computerised settlement system (as defined in the CREST Regulations) operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form (as defined in the CREST Regulations)
"CRESTCo"	CRESTCo Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
"Development Funding"	funding provided for the purpose of financing a development programme either in the form of a grant, or as a loan at a concessionary rate of interest and/or with a longer term, than would normally be achieved on a commercial basis
"Directors"	the directors of the Company, whose names are set out on page 3 of this document
"EGSA"	Empresa Eléctrica Guaracachi, S.A., a company registered in Bolivia under registration number 08-035910-03 whose principal office is at Av. Brasil, Esquina 3° Anillo, Santa Cruz, Bolivia
"ENDE"	Empresa Nacional de Electricidad, the former integrated electricity utility owned by the Bolivian state

"Enlarged Share Capital"	the Ordinary Shares in issue immediately following Admission (excluding the Placing Warrants and Broker Warrants)
"ESA"	Energia para Sistemas Aislados S.A., a company registered in Bolivia under registration number 107752 whose principal office is at Av. Brasil, Esquina 3° Anillo, Santa Cruz, Bolivia
"€" or "Euros"	currency unit of 12 of the European Union countries
"Executive Directors"	Peter Earl, Mike Eyre and Elizabeth Shaw
"Existing Ordinary Shares"	the 10,000,000 Ordinary Shares in the capital of the Company in issue at the date of this document
"FSMA"	the Financial Services and Markets Act 2000
"GDP"	gross domestic product
"Grant Thornton"	Grant Thornton UK LLP
"Interconnected System"	the national electricity transmission network of Bolivia
"IPC"	Independent Power Corporation PLC a company registered in England under registration number 3097552, whose principal office is at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ
"IPOL"	Independent Power Operations Limited, a company registered in England under registration number 4288901, whose registered office is at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ
"Isolated Distribution System"	a local electricity network which is not connected to the national transmission system
"Lock-In Agreements"	the conditional agreements dated 12 August 2004 details of which are set out in paragraph 7 of Part IV of this document
"London Stock Exchange"	London Stock Exchange plc
"MW"	mega watt, a measure of power (in this document electric power)
"Nomad Agreement"	the agreement dated 12 August 2004 between the Company and Arbuthnot Securities relating to Arbuthnot Securities acting as nominated adviser to the Company for the purposes of the AIM Rules, further details of which are set out in paragraph 7 of Part IV of this document
"Non-Executive Directors"	Jimmy West and Frank Mattos
"Official List"	the Official List of the UKLA
"Option Agreement" or the "Option"	the option agreement dated 9 July 2004 between the Company and EGSA for the Company to acquire ESA from EGSA, further details of which are set out in paragraph 7 of Part IV of this document
"Ordinary Shares"	ordinary shares of 2 pence each in the capital of the Company
"Placees"	the subscribers of Placing Shares pursuant to the Placing
"Placing"	the conditional placing by Hichens Harrison on behalf of the Company of the Placing Shares and Placing Warrants pursuant to the Placing and Broker Agreement
"Placing and Broker Agreement"	the stockbroker and dealer agreement dated 12 August 2004 between the Company and Hichens Harrison further details of which are set out in paragraph 7 of Part IV of this document
"Placing Price"	40 pence per Placing Share
"Placing Shares"	the 2,000,000 new Ordinary Shares which are the subject of the Placing

"Placing Warrants"	1,000,000 warrants to be issued by the Company to Placees pursuant to the Placing, on the terms of the Warrant Instrument
"POS Regulations"	the Public Offers of Securities Regulations 1995, as amended
"Power Purchase Agreement"	a long-term agreement to purchase power
"Rurelec" or the "Company"	Rurelec plc
"Services Agreement"	the shared services agreement dated 23 July 2004 between the Company and IPC, further details of which are set out in paragraph 7 of Part IV of this document
"Shareholders"	holders of Ordinary Shares
"SPA"	a conditional sale and purchase agreement (currently in draft form) to be entered into between EGSA and Rurelec following the exercise of the Option
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK £"	the UK currency unit, pounds sterling
"UKLA"	the Financial Services Authority, acting through the United Kingdom Listing Authority, in its capacity as the competent authority for the purposes of Part VI of FSMA
"uncertificated" or "in uncertificated form"	recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which, by virtue of the Regulations, may be transferred by means of CREST
"US" or "USA"	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia
"US$"	the US currency unit, a Dollar
"Warrant Instrument"	the deed poll of the Company constituting the Placing Warrants, further details of which are set out in paragraph 4 of Part IV of this document
"Warrants"	the Broker Warrants and the Placing Warrants
"World Bank"	the World Bank Group, a development bank which provides loans, policy advice, technical assistance and knowledge sharing services to low and middle income countries

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission effective and dealings commence in the Ordinary Shares and Placing Warrants on AIM	8.00 a.m. on 18 August 2004
CREST accounts credited with Ordinary Shares in uncertificated form	8.00 a.m. on 18 August 2004
Despatch of definitive certificates in respect of the Placing Shares and Placing Warrants	by 25 August 2004

ADMISSION AND PLACING STATISTICS

Placing Price per Placing Share	40 pence
Number of Placing Shares	2,000,000
Estimated proceeds of the Placing to be received by the Company, net of expenses	£600,000
Number of Ordinary Shares in issue after the Placing	12,000,000
Number of Placing Warrants in issue after the Placing	1,000,000
Market capitalisation of the Company following the Placing at the Placing Price	£4,800,000

Notes:

(1) The above excludes the Broker Warrants

(2) The market capitalisation of the Company, the number of Ordinary Shares in issue after the Placing and the estimated proceeds exclude the Placing Warrants

PART I

Information on the Company

1. Introduction

Rurelec is a newly-incorporated company, which has been established specifically to develop rural electrification projects in Latin America. Rurelec's management team has a strong track record in developing power projects worldwide and has considerable experience in the electricity sector in Latin America. The Company will have two principal business objectives:

- the ownership of power generating facilities in isolated areas with an initial focus on Bolivia, which will enable electricity to be sold in remote communities on commercial terms; and
- the management of the implementation of rural electrification schemes connecting remote communities to local Isolated Distribution Systems. In general, such projects will be funded by Development Funding from entities such as the World Bank and/or other bi- and multi-lateral development agencies.

For its first project, the Company is focusing on Bolivia which has one of the lowest levels of rural electrification in Latin America. A US$200 million rural electrification plan has been developed by the Bolivian authorities with the objective of connecting approximately 200,000 currently unconnected households by 2007. Sources of funds for the whole of the projected US$200 million of expenditure have been identified by the Bolivian authorities and the Directors believe that the requisite finance is either committed in principle or under detailed negotiation with the sources of such finance. However, the Directors understand that the Government of Bolivia has been unable to draw down much of the funding already committed because there are few, if any, local companies with the necessary engineering expertise, project management skills and financial resources to supervise and implement those projects which have been approved by the Bolivian Government.

The Directors believe that this situation presents a substantial business opportunity for an entity which has experience and expertise in this field. The Directors have also identified a portfolio of power generating assets currently in the ownership of a Bolivian company, ESA, with a total capacity of 48 MW, which they believe to be suitable for redeployment in Isolated Distribution Systems. The Company has, therefore, entered into the Option Agreement to acquire ESA for a consideration of US$3.7m to be satisfied by a combination of vendor consideration shares and/or cash, to be raised by a further placing of new Ordinary Shares with institutional and other investors following Admission. As part of the terms of the Option Agreement, on completion of the acquisition of ESA, Rurelec would also assume the obligation to discharge certain liabilities taken on by EGSA (of which ESA is currently a subsidiary) from ENDE. Further details of the Option Agreement are set out in paragraph 6 below and in paragraph 7 of Part IV of this document.

The Directors believe that there are opportunities for rural electrification work elsewhere in Latin America and Rurelec's focus will include other countries in the region such as Argentina, Brazil and Peru.

2. Background and investment strategy

The Directors' strategy is to acquire, or invest in, companies with established electricity generating operations and/or assets suitable for redeployment in the rural electrification and isolated generation sectors in Latin America. To the extent that appropriate opportunities present themselves outside Latin America, the geographic boundaries of investment by the Company could be extended in the future if the Directors considered it to be in the best interests of Shareholders.

Furthermore, as a result of their previous experience in the electricity industry (and in Latin America in particular), the Directors have identified the opportunity to manage the implementation phase of rural electrification projects and invest in the generation assets that are required to satisfy the increased demand associated with that expansion.

Revenue from project management activities will be fee-based and receivable on the achievement of certain milestones agreed with the agencies providing the Development Funding. Revenue from any electricity generating activities is expected to be in the form of a dividend stream from a series of regional, special purpose subsidiaries which will invest in generating units deployed in Isolated Distribution Systems.

The Directors intend to target their investment strategy on Isolated Distribution Systems with a peak demand of over 10 MW, with a requirement for additional capacity of at least 5 MW, or where the Company can acquire generating capacity already *in situ* from the incumbent generator. The Directors are keen to promote sustainable projects based on locally-produced fuel supplies and will, where practicable, promote the use of renewable fuels for electricity generation.

Any generating capacity deployed by the Company will be supported by Power Purchase Agreements expected to incorporate payments for both capacity and energy production and customary terms for such agreements.

The Directors believe that there are few private sector entities which have the requisite knowledge and resources to implement schemes for regional electricity generation, transmission and distribution on such a scale and in developing countries. They therefore believe that the impact of competition on the Company will be minimal.

3. Investment process

The Directors intend to meet regularly to discuss and monitor the status of the Company's current and potential investments. Prior to making any development commitment or acquisition, the Company will undertake due diligence on the potential project. This due diligence will be tailored to specific projects or acquisitions, but would normally be expected to include the preparation and presentation to the Board of at least the following reports and studies:

- a business plan and feasibility study;
- a technical and operational review of any power generation assets to determine their condition, operability and ability to generate profits for the Company;
- a legal due diligence report comprising a review of the title to the assets, corporate, contractual and regulatory issues as well as litigation, environmental issues and relevant contracts; and
- in the case of an acquisition of a corporate entity, a financial due diligence report setting out the entity's history, the key points from its financial reports for the preceding three years (if available) and any issues that have arisen from audits of that company. It is expected that the reports will also consider the operations, financial controls and reporting procedures of the company. Close attention will be paid to the associated projected working capital requirements.

Before any final decision is made, any agreements and other relevant terms will have to be approved by the Board and, where necessary, they will be put to Shareholders for approval.

4. Rural electrification project management opportunities

The Directors believe that in the poorer regions of developing countries, the provision of affordable and reliable electricity is one of the most important factors in improving the quality of life, creating new jobs and promoting sustainable development. For this reason, governments and international development agencies have targeted rural electrification for priority funding.

In Bolivia, which has a land mass nearly twice that of France and a population of 8.5 million (of whom approximately 3 million live in the largest cities), communities are relatively small and spread out over large distances. Currently, only around one in four rural households is connected to electricity, i.e. around 575,000 households out of a total of approximately 765,000 estimated households in Bolivia's rural areas are not connected.

There are numerous communities in Latin America where it is not economically viable, and is technically difficult, to install and operate a national transmission system to transport electricity between the urban and outlying rural areas. It is often cheaper for regional centres of population to be provided with distributed power generation comprising small, independent power plants connected to an Isolated Distribution System, serving only local towns and villages.

However, such isolated rural schemes have technical and operational complexities which are not dissimilar to those of running an integrated national electricity system. Therefore, the Directors believe that there are few local private sector entities which possess the requisite knowledge and resources to implement complete electrification schemes for regional generation, transmission and distribution even if funding were readily available. To the extent that there are any such initiatives, they tend to be based around local electricity co-operatives.

The Government of Bolivia has agreed with the World Bank a programme of poverty alleviation based on making electrification a national priority. This rural electrification plan provides for expenditure totalling US$200 million and comprises four key stages:

- the construction of Isolated Distribution Systems for areas which have no electricity;
- the roll-out of electricity connections for households in areas where there is access to electricity;
- the installation of new, local distributed generation capacity, with an emphasis on renewable energy where practicable and cost effective; and
- the promotion of the productive use of electricity for local economic development and social stability.

This plan provides for funding to come from a combination of Bolivian governmental sources and Development Funding from multi-lateral and government organisations including:

–	CAF	Corporación Andina de Fomento
–	UNDP	United Nations Development Programme
–	GEF	Global Environment Fund
–	USAID	United States Agency for International Development
–	NRECA	National Rural Electrification Cooperatives Association
–	IDB	Inter-American Development Bank
–	KfW	Kreditanstalt für Wiederaufbau of Germany
–	Government of Canada	
–	Government of Spain	

The Directors understand that a substantial proportion of the projected Development Funding is either committed in principle or under detailed negotiation/approval processes. Under the rural electrification plan, a substantial proportion of the projected funding will be used for upgrading the electricity distribution system, to include reinforcement and extension of the electricity wires networks and improvements to the billing and collection system.

The Directors plan to position Rurelec as the project manager of choice for rural electrification projects in Latin America which are to be financed with Development Funding. It is expected that the Company will put together project teams drawn from both local and international sources to manage such projects.

5. Generation in Isolated Distribution Systems

The Directors believe that the trends towards increased energy demand, distributed power generation and cleaner energy highlight a need for small, moveable power generating units to produce electricity for isolated rural areas in developing countries such as Argentina, Bolivia, Brazil and Peru. These trends are addressed in more detail below.

A trend to increased energy demand

In emerging markets, it is generally accepted that growth in demand for electricity increases at approximately twice the rate of GDP growth. Bolivia's GDP is currently growing at approximately 3.6 per cent. per annum. There has been growth in electricity demand since January 2004 at an annualised rate of over 8.5 per cent. in the eastern part of the Interconnected System. Statistical data is not available for the isolated areas where, in any case, constraints on generating capacity have placed artificial limits on demand growth. However, in the Directors' opinion if there is an increase in the availability of electricity at a reasonable price, there is no reason to believe that such growth will be materially less than that experienced in the Interconnected System. Because of this growth potential, the Company intends to focus on generating electricity to meet the backlog of unsatisfied demand in rural areas before attempting to address the potential growth in demand that may be realised by connecting further households.

A trend to distributed power generation

Historically, power plants in both the industrialised and the developing world were built, owned and operated by governments. Since 1990 and the ground-breaking privatisation of the British electricity industry, governments worldwide, including those in Latin America, have both privatised their state-owned power plants and devolved the construction of new plants to the private sector.

Distributed power projects are particularly important for the development of rural electrification in isolated areas for the following reasons:

- they avoid the high capital cost of building long distance power transmission lines linking small centres of demand;
- they avoid transmission losses from transmitting electricity over long distances between outlying areas;
- construction times for smaller independent plants are shorter than those for large wholesale power plants of the type which would normally be connected to a national grid; and
- such plants are easier and more cost effective to operate than complex plants connected to a national grid and operational issues associated with connection to a national grid are reduced.

Trend to cleaner energy and sustainable development

Climate change has become increasingly relevant to energy policy worldwide with the widespread acceptance that targets for the reduction of global emissions of greenhouse gases and carbon dioxide can be achieved by improvements in the efficiency of power generation. One of the most important driving forces for cleaner energy is the availability of carbon credits which can be used to subsidise clean energy projects in developing economies, such as Bolivia.

Wherever possible, the Company intends to pursue clean energy projects which are linked to sustainable development. Solar and hydroelectric projects for rural communities can be both expensive and seasonal. However, there is a new trend towards the use of renewable fuel crops and bio-fuels and for smaller generation plants using locally sourced fuel. Not only can such projects attract carbon credits but they are also an important factor in the creation of jobs.

6. Option Agreement

On 9 July 2004, the Company entered into the Option Agreement with EGSA, the largest electricity generating company in Bolivia, to acquire ESA for a consideration of US$3.7 million to be satisfied by a combination of vendor consideration shares and/or cash. By completing the SPA the Company will also assume the obligation to discharge certain liabilities inherited by EGSA from ENDE. These obligations will have a nominal value of approximately US$9.0 million and are payable between now and 2022. ESA's principal business is the generation of electricity in Isolated Distribution Systems within Bolivia. ESA currently owns a number of electricity generating units that the Directors believe to be suitable for use in Isolated Distribution Systems. ESA's principal revenue stream currently arises from the lease of these assets to EGSA. It is expected that in the short to medium term the units will no longer be required in their current locations and that they will then be available for deployment in projects identified by ESA.

Pursuant to the terms of the Option Agreement, the Company has 90 days from the date of the Option Agreement in which to enter into the SPA. There is no absolute commitment or obligation on the Company to acquire any or all of the shares in the capital of ESA. Completion of the Acquisition is conditional on a number of matters, including legal, financial and commercial due diligence on ESA being carried out to the Company's satisfaction, all licences, authorisations, consents, other necessary approvals being obtained and the raising of the required funding. **Investors should be aware that this due diligence process has not yet been completed and no independent valuation of the benefit of the Option Agreement has been obtained.**

If the Company decides to complete the Acquisition, a further round of capital raising will be necessary to fund any cash element of the consideration payable in respect of the Acquisition and Shareholders' approval will be sought for a reverse takeover under the AIM Rules. It is possible that part of the consideration payable in respect of the Acquisition will be satisfied by the issue of shares in the capital of the Company. It is anticipated that Rurelec will undertake a further placing of new Ordinary Shares with institutional and other investors to raise approximately £2.5 million in cash for further expansion and to complete the Acquisition as soon as reasonably practicable after satisfaction of the conditions contained in the SPA.

7. Current trading and prospects

The Company has not traded since its incorporation on 26 June 2003. However, it has entered into the Option Agreement, which is described in more detail above and in paragraph 7 of Part IV of this document. It has also engaged Arbuthnot Securities, Hichens Harrison, Hammonds and Grant Thornton in respect of the Admission. The Directors recognise that the Company's prospects depend on its ability to identify and acquire suitable target companies and/or assets that offer the potential for growth in value. Completion of the Acquisition will give the Company access to an important pool of assets and a pipeline of projects for development in Bolivia. In the event that the Acquisition is not completed, the Directors will pursue alternative opportunities for the Company's expansion.

8. Relationships with IPC and EGSA

Peter Earl, Mike Eyre and Elizabeth Shaw, the Executive Directors of the Company, are all members of the management team of IPC, a UK-based international power project development company. Peter Earl and Elizabeth Shaw are also directors of IPC. Rurelec will share office space and costs with IPC under the Services Agreement in order to enable the Company to maintain a head office in London. This will keep overhead costs and long term commitments low at this early stage of Rurelec's development.

In the opinion of the Directors, there is no conflict or overlap between the businesses of IPC and Rurelec. IPC develops and operates medium to large scale power generation projects, whereas Rurelec intends to develop and own generation projects in isolated regions and manage the implementation of rural electrification projects.

IPC through its wholly owned subsidiary IPOL, provides operations and maintenance services to EGSA under a long term operations agreement. This agreement is in place for a period of 5 years, from 12 December 2003. Following the Acquisition, IPOL engineers may provide assistance to Rurelec for specific projects on an arm's length basis.

Elizabeth Shaw and Mike Eyre were appointed directors of EGSA on 12 December 2003 and resigned on 8 June 2004. Neither has participated in any discussions or deliberations of the board of EGSA regarding the Option Agreement or the SPA. Peter Earl is a director of EGSA and has been involved in the discussions and deliberations of the EGSA board regarding the Option Agreement and the SPA.

9. Reasons for Admission

The Directors recognise that the Company's investment strategy, trading strategy and expansion plans depend upon its ability to raise capital. Furthermore the Directors believe that Admission will enable the Company to pursue opportunities for growth by the acquisition of, or investment in, target companies or suitable assets, as appropriate. The Directors also believe that the Company would benefit from its shares being traded on AIM, for the following reasons:

- *corporate profile* – any acquired companies and/or assets may be expected to benefit from the perceived status of being part of a publicly quoted entity;
- *access to capital markets* – as referred to above, the Company would need to raise further funds if it were to exercise the Option in order to fund the cash element of the consideration for the Acquisition, to fund further acquisitions and, generally, to supplement its working capital resources and develop its business. The Directors believe that capital for quoted companies carries a lower cost and is more freely available than it is for private companies;
- *acquisition currency* – the issue of publicly traded shares as consideration for target companies such as ESA, and/or assets may be more attractive to sellers than the issue of unquoted shares; and
- *incentivising key staff* – the acquisition and retention of key staff may be facilitated through the use of share options which, on exercise, would provide staff with shares in a quoted company.

10. Details of the Placing, Placing Warrants and use of proceeds

The Company is proposing to raise approximately £800,000, before expenses, through the issue of 2,000,000 Placing Shares at a price of 40 pence per Placing Share pursuant to the Placing and Broker Agreement.

Placees will also receive one Placing Warrant to subscribe for one new Ordinary Share for every two Placing Shares subscribed. The exercise price of the Placing Warrants if exercised within one year of Admission will be 60 pence. The exercise price of the Placing Warrants thereafter will be 80 pence. The Placing Warrants expire on the second anniversary of Admission. Details of the Warrant Instrument are set out in paragraph 4 of Part IV of this document.

The Placing Shares will represent approximately 16.67 per cent. of the Enlarged Share Capital. At the Placing Price, the Company's market capitalisation on Admission will be £4,800,000. The net proceeds of the Placing, amounting to approximately £600,000 (excluding any monies raised in connection with the Placing Warrants) will be used to provide working capital for the Company.

Following Admission, the Directors (and companies connected and/or associated with them) will hold, in aggregate, approximately 51.3 per cent. of the Enlarged Share Capital.

The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

Dealings in the Ordinary Shares and the Placing Warrants on AIM are expected to commence on 18 August 2004. It is expected that CREST accounts will be credited on the day of Admission and that certificates will be despatched by first class post by 25 August 2004.

11. Directors

The Directors acknowledge the principles of good governance and the need for a board comprising a balance of executive directors and independent non-executive directors.

The Directors possess between them a wide range of experience in the development of power projects worldwide. They believe that the Board possesses the experience in relevant acquisitions and in corporate financial management necessary to enable the Company to achieve its objectives.

The Directors are aware that in certain circumstances, they may have to supplement the Board's access to expertise, skills and contacts specific to the rural electrification sector by additional appointments to the Board itself, either from among the key management of acquired businesses or from within the industry generally.

Biographical details of the Directors are as follows:

Jimmy West, *Chairman and Non-Executive Director*, aged 57. Following a successful career as Managing Director of Globe Investment Trust plc, Jimmy West became the Chief Executive of Lazard Asset Management and a Managing Director of Lazard Brothers & Co. Ltd, where he held full responsibility for the bank's investment operations. He is now Chairman of Gartmore Fledgling Trust plc and Jupiter Financial Trust plc and is a non-executive Director of a number of diverse companies including Candover Investments plc, British Assets Trust plc and Global Natural Energy plc.

Peter Earl, *Managing Director*, aged 49, began his career at the Boston Consulting Group advising state-owned companies. He has advised ministries of finance and central banks in Abu Dhabi, Albania, Kuwait and Saudi Arabia. He is the author of the standard European textbook on cross-border takeovers published by *Euromoney*. Formerly Chief Executive of Tranwood plc and The Carter Organization Inc., in New York, he acted on secondment to the World Bank and the United Nations Development Programme, advising on privatisations in Latin America and Eastern Europe, where he has served as Deputy Chairman for the United Nations Economic Commission for Europe infrastructure finance group. He was a director of Fieldstone Private Capital Group Limited ("Fieldstone") in London. In the mid-1990's, he advised on US$6 billion of cross-border power sector acquisitions and bids, involving 5,000 MW of installed capacity and more than 2 million distribution customers. In 1995, he founded IPC which has owned, developed and operated 3,400 MW of power projects around the world including in Kazakhstan, USA, Argentina and Bolivia. He is an Oxford University graduate and was a Kennedy Scholar at Harvard University.

Mike Eyre, *Director of Engineering*, aged 50, is both a Chartered and European Engineer and has extensive experience in project management and development in the power sector. As a Central Electricity Generating Board engineer, he spent part of his early career on secondment to Eskom of South Africa with responsibility for maintenance of a portfolio of 26 power plants. He subsequently became Head of Engineering Quality with National Power plc, where he developed and implemented policy for risk management of their UK assets as well as leading the technical due diligence for significant international acquisitions such as Hub, a 1,200 MW oil-fired plant in Pakistan, and Marmara, a 500 MW combined cycle power plant in Turkey. Recently, he led business development at Lloyds' Register power division (subsequently Ingenco) and advised developers on renewable energy projects. At IPC, he is responsible for operations and maintenance activities and supervising technical due diligence for proposed acquisitions and greenfield development in Latin America and Central Asia.

Elizabeth Shaw, *Director of Finance*, aged 43, has been involved in the electricity sector since 1994. Between 1994 and 2000, as a director of Fieldstone, she advised on a number of mergers, acquisitions and disposals in the electricity industry, both in the UK and in developing markets. In Bolivia, she advised on the spin-off of the Electropaz distribution business of Compañía Boliviana de Energía Eléctrica S.A. to Iberdrola S.A. of Spain and on the sale by ENDE of its electricity distribution interests in Cochabamba. Prior to joining Fieldstone, Elizabeth was extensively involved in the financing of small-to-medium sized companies in the UK, including raising equity for both listed and unlisted companies. Currently she is responsible for business development and finance at IPC. She is a graduate of Exeter University.

Frank Mattos, *Non-Executive Director*, aged 72, has over 40 years' broad-based power sector engineering and management experience, initially as a senior manager with the Central Electricity Generating Board. In 1984 he was seconded to British Electricity International (BEI), where he became director of overseas business and project development. On privatisation of the U.K.

electricity sector, BEI became National Power International with a focus on international utility acquisitions and power plant construction projects. Projects included the acquisition in 1993 of the Pego power station in Portgual, then the largest, privatised, power project in Europe. Recently he was an adviser to Sithe Energies, Inc. and is a consultant to the World Bank. He has written and presented papers on power system economics and control, tariffs, substation switching, planning and operations reliability standards. He is both a Chartered Engineer and a Chartered Manager. On 19 July 2004 the Company passed a resolution at an extraordinary general meeting to approve his appointment as a Director notwithstanding that he has attained the age of 70, in accordance with section 293(5) of the Act.

Directors' remuneration

In order to maximise the Company's effective working capital resources, the Directors have agreed that they will not receive any fees, salaries or other payments in cash or in kind (other than reasonable expenses) until such time as the first investment or acquisition is made by the Company.

12. Lock-ins and orderly market arrangements

Following Admission, the Directors (and companies connected and/or associated with them) will be interested, in aggregate, in 6,150,000 Ordinary Shares representing approximately 51.3 per cent. of the Enlarged Share Capital. Details of these shareholdings are set out in paragraph 5 of Part IV of this document. The Directors have undertaken to the Broker that, except in limited circumstances, they and their connected persons will not, without the prior consent of the Broker, sell or dispose of any interests in any Ordinary Shares held by them for a period of twelve months from Admission and in the subsequent twelve month period, they will only sell or dispose of their Ordinary Shares, provided that any such disposal is first notified to the Broker and is effected through the Broker (after consultation or in good faith with the Broker) from time to time in an orderly manner.

13. Return of capital to Shareholders

The Directors intend that, if the Company has not made an investment or acquisition within 24 months from the date of Admission or within such time has not entered into a binding material contract, they will convene an extraordinary general meeting at which proposals will be put to Shareholders to liquidate the assets of the Company and distribute the proceeds amongst Shareholders.

14. Controlling Shareholders

Following Admission, certain Directors (and companies connected and/or associated with them), members of their families and Shareholders who hold three per cent. or more of the Enlarged Share Capital will own, in aggregate, approximately 72.2 per cent. of the Enlarged Share Capital. As a result, these Shareholders will be able to exercise significant control over all matters requiring Shareholders' approval, which could delay or prevent an outside party from acquiring or merging with the Company.

15. Broker Warrants

The Broker Warrants will be issued to Hichens Harrison on Admission but will not be admitted to trading on AIM. Each Broker Warrant will grant the right to subscribe for one new Ordinary Share at the Placing Price, such right to be exerciseable at any time from the date of Admission to the second anniversary of the date of Admission. Further details of the terms of the Broker Warrants are set out in paragraph 7 of Part IV of this document.

16. Share option scheme

The Directors believe it is important that employees of the Company are appropriately and properly motivated and rewarded. To assist in the recruitment, retention and motivation of employees of high calibre, as necessary, the Directors consider that the Company must have an effective remuneration strategy. To this end, the Directors intend that, at an appropriate time following Admission, the Company will establish a share option or other incentive scheme under which eligible persons will be invited to participate at the discretion of the remuneration committee of the Board. The Directors intend that any such scheme will comply at all times with the Combined Code and the ABI Guidelines.

17. Dividend policy

The Company has not paid any dividends since its incorporation. It is the intention of the Directors that the Company, while aiming to achieve capital growth, should also pay a high level of dividend from the utility type earnings associated with owning and operating power plants on long term contracts with fixed capacity payments. Accordingly, the Company will aim to adopt a dividend policy similar to that of utilities based in the US with a similar revenue mix.

The Company will not be in a position to pay a dividend until after completion of its first acquisition and the establishment of positive free cash flow from such acquisition. Thereafter, the Directors will review the Company's dividend policy in light of the availability of distributable reserves.

18. Corporate governance

The Directors support high standards of corporate governance and confirm that, following Admission, they intend to comply with the Combined Code as far as is applicable for a company of its size and nature. An audit committee, nominations committee and remuneration committee, each comprising two non-executive directors, will be established for this purpose. The Directors intend that the Board will comprise the number of executive and non-executive directors necessary to facilitate compliance with the Combined Code and the effective operation of the proposed committees.

The audit committee will be responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored and reported on and for meeting with the auditors to discuss the audit procedures and the Company's internal controls.

The remuneration committee will review the performance of the Executive Directors, set their remuneration, determine the payment of any bonuses and consider the grant of options under any share option or other incentive scheme of the Company and, in particular, the price per share and the application of performance standards to such grants. No Executive Director will be permitted to participate in discussions or decisions concerning his own remuneration.

The nominations committee will be responsible for dealing with appointments to the Board and senior management positions of the Company as well as relevant employment issues.

The Company intends to hold bi-monthly Board meetings at which financial and other reports are considered and, where appropriate, voted on.

The Company has adopted a model code for Directors' and key employee share dealings which is appropriate for an AIM quoted company and in accordance with Rule 19 of the AIM Rules.

19. Admission, settlement and CREST

Application will be made to the London Stock Exchange for all Ordinary Shares and Placing Warrants to be admitted to trading on AIM. Admission of the Ordinary Shares and the Placing Warrants is expected to take place on 18 August 2004.

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 and the Warrant Instrument contain provisions concerning the transfer of shares and Placing Warrants which are consistent with the transfer of shares and warrants in dematerialised form under the CREST Regulations. The consent of CRESTCo has been sought to issue the Ordinary Shares and Placing Warrants in uncertificated form and, accordingly, settlement of transactions in the Ordinary Shares and Placing Warrants following Admission may take place within the CREST system if Shareholders and holders of Placing Warrants so wish. CREST is a voluntary system and holders of Ordinary Shares or Placing Warrants who wish to receive and retain share certificates or warrant certificates will be able to do so.

20. Risk factors

Your attention is drawn to the risk factors set out in Part II of this document.

21. Further information

The attention of investors is drawn to the information contained in Parts III and IV of this document, which provide additional information on the Company.

PART II

Risk Factors

An investment in the Ordinary Shares and Placing Warrants involves a high degree of risk. Accordingly, prospective investors should consider carefully the specific risk factors set out below in addition to the other information contained in this document before investing in Ordinary Shares or Placing Warrants. The Directors consider the following risks and other factors to be the most significant for potential investors in the Company but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Company's business.

1. Industry specific risks

- The price obtained for the sale of electricity is expected to be based on Power Purchase Agreements with fuel price pass through and appropriate escalation provisions. The Directors intend that the Power Purchase Agreements will be signed before commencement of supply or deployment of assets. In addition, projects will use a number of techniques aimed at limiting collection risk. However, it is not possible to guarantee sufficient revenue will be collected to cover costs and provide the expected return throughout the life of every project.
- The Company's operations will be subject to all of the risks normally incidental to the ownership and operation of electricity generation facilities and the management of rural electrification projects, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.
- The Company intends to have operations in rural areas and will therefore be subject to the risks of operating in isolated areas, such as the continuity of fuel supply and accessibility.
- Individual project activities may be subject to disruption due to weather conditions depending on the location of operations in which the Company will have interests.

2. Political, country and donor risks

- The Company has been established to develop rural electrification projects in Latin America, initially in Bolivia. The Directors believe that the governments of Bolivia and most other Latin American countries support the electrification of rural areas by foreign operators as owners. There is no assurance that future political and economic conditions in these countries will not result in their governments adopting different policies with respect to foreign investment and where the ownership and operation of electricity generating assets and the management of rural electrification projects is concerned. Any such changes in policy may affect ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income and return of capital, thereby influencing the Company's ability to generate profits. Such policy changes could extend to the expropriation of assets.
- The intended operations of the Company require approvals, licences and permits from various governmental and other regulatory authorities. The Directors believe that the Company will obtain all necessary approvals, licences and permits under applicable laws and regulations. However, such approvals, licences and permits are subject to change and there can be no guarantee that the Company will be able to obtain or maintain all necessary approvals, licences and permits that may be required by it in connection with its business.
- Foreign exchange rate fluctuations may affect the cash flow from the Company's operations, as it is likely to receive payment for the electricity it generates in currencies other than those in which its principle costs are denominated.
- The Company will be reliant on Development Funding from the international donor community for the implementation of rural electrification projects. There can be no guarantee that the Company will be selected by donors to manage such projects nor of the donors' continued ability and willingness to support the projects.

- Political, economic and social unrest in the geographic areas to be targeted by the Company may lead to disruptions in the operations of the Company.

3. Additional financing risks

- The net proceeds of the Placing will not be sufficient to finance the Acquisition and it will be necessary for the Company to raise additional capital, in order to finance the Acquisition. It may also be necessary for the Company to raise additional capital to finance the growth of the Company and/or its subsidiaries from time to time through future stages of development. There is a risk that such capital may not be available to the Company on favourable terms or at all.

4. General risks

- There can be no guarantee that the Placing Price will reflect the actual or potential market value of the Placing Shares.
- The price at which investors realise their Ordinary Shares and/or Placing Warrants will be influenced by a large number of factors; some specific to the Company and its proposed operations, and some generally. These factors could include the performance of the Company's operations, large purchases or sales of shares in the Company, absence of liquidity in the Ordinary Shares and/or Placing Warrants, legislative or regulatory changes affecting the business of the Company and general economic conditions. This investment may be volatile and investors could lose some or all of their investment.
- There can be no guarantee that the price of the Ordinary Shares will be greater than the price at which the Placing Warrants can be exercised.
- The Company's future performance, and that of any companies which it invests in or acquires, will depend heavily on its ability to retain the services of the Directors and to be able to attract, motivate and retain the services of suitable personnel. Although such individuals have entered, or will enter, into service or employment agreements with the Company, the loss of the services of any such individual may affect the business, operations, revenues and/or prospects of the Company.
- Although the Company has a defined strategy, there can be no guarantee that its objectives or any of them will be achieved on a timely basis or at all.
- The Company has never traded and its future success will depend on the Directors' ability to implement its strategy. While the Directors are optimistic about the Company's prospects, there is no certainty that acquisitions, investment revenues or growth will be achieved. In particular, there can be no guarantee that the Company will be in a position to exercise its right to acquire ESA under the Option Agreement or that thereafter it will be able to identify and acquire other suitable projects, assets or companies. **Investors should be aware that the due diligence process in relation to the Acquisition, pursuant to the Option Agreement has not yet been completed and that no independent valuation of the benefit of the Option Agreement has been obtained.**
- The Company may not be able to recoup due diligence costs in relation to any potential acquisition or project. Furthermore, unexpected problems associated with the integration of a new project, asset or company may be encountered. Such problems could adversely affect the Company's ability to generate profits.
- Although it is the Company's intention to issue Ordinary Shares to satisfy all or part of the consideration payable for acquisitions, sellers of target companies or assets may not be prepared to accept shares traded on AIM.
- Potential investors should be aware that the value of the Ordinary Shares and the Placing Warrants can go down as well as up and that an investment in a share which is to be traded on AIM is likely to be less realisable and to carry a higher degree of risk than an investment in a share listed on the Official List.

- The Company may face competition from other entities with comparatively greater resources to invest in similar target companies and assets. There can be no assurance that competition will not limit the Company's ability to implement its strategy.
- Following Admission, certain Directors (and companies connected and/or associated with them), members of their families and Shareholders who hold three per cent. or more of the Enlarged Share Capital will own, in aggregate, approximately 72.2 of the Enlarged Share Capital. As a result, these Shareholders will be able to exercise significant control over all matters requiring Shareholders' approval, which could delay or prevent an outside party from acquiring or merging with the Company. The ability of these Shareholders to prevent or delay such transactions could cause the price of the Ordinary Shares or Placing Warrants to decline.
- Certain members of the Board are also board members of other companies which, from time to time, are expected to be party to agreements with the Company. As a result, conflicts of interest may arise.

Investors should consider carefully whether investment in the Company is suitable for them in light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

PART III

Accountants' Report on the Company

The following is the full text of a report on Rurelec plc from Grant Thornton, the Reporting Accountants, to the Directors of Rurelec and Arbuthnot Securities.

Grant Thornton Corporate Finance

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

Grant Thornton

The Directors
Rurelec plc
5th Floor, Prince Consort House,
27-29 Albert Embankment
London
SE1 7TJ

The Directors
Arbuthnot Securities Limited
Arbuthnot House
20 Ropemaker Street
London
EC2Y 9AR

12 August 2004

Dear Sirs

RURELEC PLC ("THE COMPANY")

1. Introduction

We report on the financial information set out in paragraphs 3 to 7. This financial information has been prepared for inclusion in the Admission Document dated 12 August 2004 of Rurelec plc (the "Admission Document").

Basis of preparation

The financial information set out in paragraphs 3 to 7 below is based on the audited financial statements of Rurelec plc for the period ended 30 June 2004 and has been prepared on the basis set out in paragraph 3.

Responsibility

Such financial statements are the responsibility of the directors of Rurelec plc who approved their issue.

The directors of Rurelec plc are responsible for the contents of the Admission Document in which this report is included.

Grant Thornton House
Melton Street
London NW1 2EP
T +44 (0)20 7383 5100
F +44 (0)20 7383 4715
DX 2100 EUSTON
www.grant-thornton.co.uk

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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying 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 results and cash flows of the Company for the period ended 30 June 2004 and the state of affairs of the Company at the end of that period.

Consent

We consent to the inclusion in the Admission Document of this report and accept responsibility for this report for the purposes of paragraph 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995 (as amended).

2. Statutory information

The Company was incorporated in England and Wales on 26 June 2003 under the name Independent Power International Limited. On 16 February 2004 the Company changed its name to Rurelec Limited. On 19 July 2004 the Company re-registered as a public limited company with the name Rurelec plc.

3. Accounting policies

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Cash at bank and in hand comprises cash held on deposit in bank accounts free of encumbrances.

Shares issued by the Company are recorded at the proceeds received, net of direct issue costs.

4. Profit and loss account

	Period from incorporation to 30 June 2004 £
Administrative expenses	(22)
Operating loss	(22)
Interest receivable	65
Profit on ordinary activities before taxation	43
Tax on profit on ordinary activities	–
Profit for the period	43

There were no recognised gains or losses other than the profit for the financial period.

All transactions arise from continuing operations.

5. Balance sheet

	At 30 June 2004 £
Current assets	
Cash at bank and in hand	200,043
Capital and reserves	
Called up share capital	200,000
Profit and loss account	43
Shareholders' funds	200,043

6. Cash flow statement

	Period from incorporation to 30 June 2004 £
Net cash outflow from operating activities	(22)
Returns on investments and servicing of finance	
Interest received	*65*
Net cash inflow from returns on investments and servicing of finance	*65*
Financing	
Issue of shares	200,000
Net cash inflow from financing	200,000
Increase in cash	200,043

7 Notes to the financial information

(a) *Share capital*

	30 June 2004 Number of shares
Authorised	
12,500,000 ordinary shares of 2 pence each	250,000
Allotted, called up and fully paid	
10,000,000 ordinary shares of 2 pence each	200,000

On incorporation the authorised share capital of the Company was £100, comprising 100 ordinary shares of £1 each. On incorporation the Company issued two subscriber shares.

On 14 May 2004 the authorised share capital of the Company was increased by £249,900 to £250,000, comprising 250,000 ordinary shares of £1 each. Also on 14 May 2004, the authorised share capital of 250,000 ordinary shares of £1 each was sub-divided into 12,500,000 ordinary shares of 2 pence each, resulting in the issued share capital at that point in time of 2 ordinary shares of £1 each sub-dividing into 100 ordinary shares of 2 pence each. On the same date, the Company allotted an additional 9,999,900 ordinary shares of 2 pence each fully paid.

(b) *Post-balance sheet event*

On 19 July 2004 the authorised share capital of the Company was increased from £250,000 to £600,000, by the creation of an additional 17,500,000 ordinary shares of 2 pence each.

(c) *Profit and loss reserves*

	£
On incorporation	–
Profit for the period	43
At 30 June 2004	43

(d) *Reconciliation of movements in shareholders' funds*

	£
On incorporation	–
Profit for the period	43
Issue of shares during the period	200,000
At 30 June 2004	200,043

(e) *Net cash outflow from operating activities*

	Period from incorporation to 30 June 2004 £
Operating loss	(22)
Net cash outflow from operating activities	(22)

(f) *Reconciliation of net cash flow to movement in net funds*

	Period from incorporation to 30 June 2004 £
Increase in cash in the period	200,043
Net funds at 30 June 2004	200,043

(g) *Analysis of changes in net funds*

	On incorporation £	*Cash flow* £	*At 30 June 2004* £
Cash at bank and in hand	–	200,043	200,043

(h) *Other matters*

None of the Directors were remunerated by the Company during the period.

There is no taxation due on the result for the period.

The Company had no capital or leasing commitments as at 30 June 2004.

The Company had no contingent liabilities as at 30 June 2004.

There were no related party transactions during the period.

Yours faithfully

GRANT THORNTON UK LLP

PART IV

Additional Information

1. Incorporation and status of the Company

(a) On 26 June 2003 the Company was incorporated in England and Wales under the Act as a private company limited by shares with the name Independent Power International Limited and with registered number 4812855. On 16 February 2004, the Company changed its name to Rurelec Limited. On 19 July 2004 the Company re-registered as a public limited company with the name Rurelec plc.

(b) The principal legislation under which the Company operates is the Act and regulations made thereunder.

(c) The Company's registered office, which is also its principal place of business, is at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ.

(d) The accounting reference date of the Company is 30 June.

2. Share capital of the Company

(a) The authorised share capital of the Company on incorporation was £100, consisting of 100 ordinary shares of £1.00 each.

(b) Save as set out below, there have been no changes in the issued share capital of the Company since its incorporation.

(c) On 14 May 2004, pursuant to resolutions of the Company passed on that date:

(i) the authorised share capital of the Company was increased from £100 to £250,000 by the creation of an additional 249,900 ordinary shares of £1.00 each in the capital of the Company;

(ii) the Directors were generally and unconditionally authorised until 14 May 2009, to allot relevant securities for the purposes of section 80 of the Act up to an aggregate nominal amount of £250,000;

(iii) the Directors were authorised and empowered pursuant to section 95 of the Act to allot equity securities until 14 May 2009, as if section 89(1) of the Act did not apply to the allotment of any such securities;

(iv) the 250,000 Ordinary Shares of £1.00 in the capital of the Company were subdivided into 12,500,000 Ordinary Shares of £0.02 each.

(d) On 19 July 2004, pursuant to resolutions of the Company passed on that date:

(i) the authorised share capital of the Company was increased from £250,000 to £600,000 by the creation of an additional 17,500,000 Ordinary Shares;

(ii) the Directors were generally and unconditionally authorised until the earlier of the anniversary of the resolution and the next annual general meeting of the Company to allot relevant securities for the purposes of section 80 of the Act up to an aggregate nominal amount of £83,800;

(iii) the Directors were authorised and empowered pursuant to section 95 of the Act until the earlier of the anniversary of the resolution and the next annual general meeting of the Company to allot equity securities as if section 89(1) of the Act did not apply to the allotment of any such securities, provided that such power is limited to:

(A) the proposed issue of 2,500,000 Ordinary Shares to be issued in connection with the Placing;

(B) in connection with an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) to holders of equity securities (as so defined) in proportion as nearly as may be to their respective holdings of

such securities or in accordance with the rights attaching to them (but with such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements, record dates or other legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory or as regards shares held by an approved depository or in issue in uncertificated form);

(C) the allotment of equity securities in connection with the exercise of the Warrants; and

(D) the allotment of equity securities up to a maximum aggregate nominal amount of £12,500 for any other purpose.

(e) Following Admission the authorised share capital of the Company will be £600,000 divided into 30,000,000 Ordinary Shares of which 12,000,000 will be issued and fully paid up with a further 75,000 being subject to the Broker Warrants and a further 1,000,000 being subject to the Placing Warrants.

(f) The provisions of sections 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of securities which are, or are to be, paid up in cash other than by way of allotment to employees under any employees' share scheme as defined in section 743 of the Act) apply to the authorised but unissued ordinary share capital of the Company to the extent not disapplied as described in paragraph (d) above. This disapplication will give the Directors limited flexibility to issue shares for cash following the Placing. Subject to certain limited exceptions, unless the approval of Shareholders in general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to existing holders of Ordinary Shares on a *pro rata* basis. No such issue is presently in contemplation by the Board.

(g) Save as disclosed in this document, no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.

(h) Save for the issue of the Placing Shares and any Ordinary Shares issued in respect of the Placing Warrants, there is no present intention to issue either fully or partly paid up for cash or otherwise any of the authorised but unissued share capital of the Company save in respect of the Acquisition, for which Shareholders' approval shall be sought.

(i) Save as disclosed in this document, no persons have preferential subscription rights in respect of any authorised but unissued share or loan capital of the Company.

3. Memorandum and Articles

(a) The memorandum of association of the Company provides that the Company's principal objects are to carry on business as a general commercial company. The objects of the Company are set out in full in clause 3 of the memorandum of association, which is available for inspection at the address specified in paragraph 13 below.

(b) The Articles contain provisions, *inter alia*, to the following effect, which is a description of significant rights and does not purport to be complete or exhaustive:

(i) *Share capital*

The share capital of the Company is divided into shares of one class, namely Ordinary Shares.

(ii) *Voting rights*

Subject to the Articles and any special rights or restrictions as to voting for the time being attached to any share at a general meeting every member holding an Ordinary Share present in person shall upon a show of hands have one vote and on a poll every member present in person or by proxy shall have one vote for every Ordinary Share of

which he is the holder. A proxy cannot vote on a show of hands. Except as otherwise provided in the Articles, two persons entitled to vote upon the business to be transacted at the meeting each being a member or a proxy for a member of a duly authorised representative of a corporation shall be a quorum.

Unless the Board otherwise decides, a member shall not be entitled to attend or vote, either in person or by proxy, at any general meeting of the Company or to exercise any other right as a member in respect of any share held by him unless and until all calls and other sums presently payable by him in respect of that share have been paid.

(iii) *Dividends*

Subject to the Statutes (meaning the Act and every other statute (including any orders, regulations or other legislation made under them) for the time being in force concerning companies and affecting the Company, (and every statutory modification or re-enactment of the same for the time being in force) the Company may by ordinary resolution declare dividends to be paid to the members according to their respective rights and interests in the profits of the Company. No dividend shall exceed the amount recommended by the Directors. Subject to the Statutes, the Directors may pay such interim dividends (including any dividend payable at a fixed rate) as appear to them to be justified by the financial position of the Company.

Except insofar as the rights attaching to, or the terms of issue of, any shares otherwise provide, all dividends shall be declared and paid according to the amounts paid up (other than amounts paid up in advance of calls) on the shares in respect of which the dividend is paid and all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

All unclaimed dividends, interest or other sums payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not constitute a trustee in respect of such dividends, interest or other sums. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall be forfeited and cease to remain owing by the Company.

The Directors may, with the authority of an ordinary resolution of the Company, direct that the payment of any dividend may be satisfied wholly or in part by the distribution of specific assets and, in particular, of paid up shares or debentures of any other company. The Board may, with the authority of an ordinary resolution of the Company and in accordance with the Articles, offer any holders of Ordinary Shares the right to elect to receive further new shares credited as fully paid instead of cash in respect of all (or some part) of any dividend specified by the ordinary resolution.

(iv) *Distribution of assets on a winding up*

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other authority required by the Statutes, divide among the members *in specie* the whole or any part of the assets of the Company and, for that purpose, value any assets and determine how the division shall be carried out as between members or different classes of members or vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

(v) *Transfer of shares*

(a) Subject to the restrictions in the Articles, a member may transfer all or any of his shares in any manner which is permitted by the Statutes and is from time to time approved by the Board.

(b) The Company shall register the transfer of any uncertificated shares in accordance with the Regulations and other Statutes and where permitted by the

CREST Regulations and other statutes the Board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer of an uncertificated share.

(c) An instrument of transfer of a certificated share may be in any usual form or in any other form which the Board may approve and shall be signed by or on behalf of the transferor and (except in the case of a fully paid share) by or on behalf of the transferee. An instrument of transfer need not be under seal.

(d) Save in the case of a class of shares which has been admitted to the Official List or whose shares are admitted to CREST the Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a certificated share unless:

(i) it is in respect of a share which is fully paid up;

(ii) the instrument of transfer is left at the registered office or at such place as the Board may decide, for registration;

(iii) the instrument of transfer is accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his right to transfer the shares;

(iv) the instrument of transfer is duly stamped (if so required);

(v) it is in respect of only one class of shares; and

(vi) it is in favour of not more than four transferees.

(vi) *Power to increase, consolidate, sub-divide and cancel shares*

The Company may by ordinary resolution:

(i) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;

(ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;

(iii) subject to the Statutes, sub-divide its shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, one or more of the shares may, as compared with the others, have such preferred, deferred or other special rights, or be subject to such restrictions, as the Company has power to attach to unissued or new shares; and

(iv) cancel any shares which, at the date of the passing of the resolution, have not been 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.

(vii) *Fractions*

Whenever as a result of a consolidation or sub-division of shares any member would become entitled to a fraction of a share, the Board may on behalf of the members deal with the fractions as it thinks fit. In particular, but without limitation, the Board may sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the Statutes, the Company) and distribute the net proceeds of sale in due proportion among those members (except that any amount otherwise due to a member, being less than £3 or such other sum as the Board may from time to time determine, may be retained for the benefit of the Company).

(viii) *Power to reduce capital*

Subject to the Statutes, and to any rights for the time being conferred on the holders of any class of shares, the Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any way.

(ix) *Power to purchase own shares*

Subject to the Statutes, and to any rights for the time being conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

(x) *Variation of rights*

(a) If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any class of shares may be varied or abrogated (whether or not the Company is being wound up) in such manner (if any) as may be provided by those rights or, if no such provision is made, either:

(i) with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class; or

(ii) with the authority of an extraordinary resolution passed at a separate general meeting of the holders of those shares.

(b) The provisions of the Articles relating to general meetings of the Company or to the proceedings at general meetings shall apply, *mutatis mutandis*, to every meeting of the holders of any class of shares, except that:

(i) the quorum at any such meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class;

(ii) at an adjourned meeting the quorum shall be one person holding shares of the class or his proxy;

(iii) every holder of shares of the class shall, on a poll, have one vote in respect of every share of the class held by him; and

(iv) a poll may be demanded by any one holder of shares of the class whether present in person or by proxy.

(xi) *Disclosure of interests*

(a) If a holder of, or any other person appearing to be interested in, any shares has been issued with a notice by the Company pursuant to section 212 of the Act (a "Section 212 Notice") and has failed in relation to any shares (the "Default Shares") to comply with the Section 212 Notice within 14 days from the service of the notice:

(i) the holder of the Default Shares shall not be entitled in respect of the Default Shares to be present or to vote (either in person or by proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares; and

(ii) if the Default Shares represent 0.25 per cent. or more in nominal value of the issued shares of their class, the holder of the Default Shares shall not be entitled in respect of the Default Shares to receive any dividend or other distribution or other than an Exempt Transfer to transfer or agree to transfer any of those shares.

(b) An "Exempt Transfer" in relation to any shares means a transfer pursuant to:

(i) a sale on a Recognised Investment Exchange (as defined in FSMA) or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded;

(ii) a sale of the whole beneficial interest in the shares to a person whom the Board is satisfied is unconnected with the existing holder or with any other person appearing to be interested in the shares; or

(iii) a sale by way of or pursuant to acceptance of a takeover offer (as defined in section 428 of the Act).

(xii) *Directors*

(a) Subject to the Statutes, the memorandum of association of the Company, the Articles and any directions given by special resolution of the Company, the business of the Company shall be managed by the Board which may exercise all the powers of the Company.

(b) A Director need not hold any shares of the Company. Each Director shall be entitled to attend and speak at any general meeting of the Company whether or not he is a member.

(c) The Board may from time to time appoint one or more Directors to hold any executive office (including that of chief executive or managing Director) for such term (subject to the Statutes) and on such terms as the Board may decide. The Board may revoke or terminate any such appointment without prejudice to any claim for damages for breach of contract between the Director and the Company.

(d) Subject to the Statutes and subject to disclosure of his interests, a Director notwithstanding his office:

(i) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;

(ii) may hold any other office or place of profit under the Company (except as its auditor or auditor of a subsidiary of the Company) in conjunction with the office of Director for such period (subject to the Statutes) and upon such terms as the Board may decide and may be paid such extra remuneration for so doing (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide, either in addition to or in lieu of any remuneration under any other provision of the Articles;

(iii) may be or become a member or Director of, or hold any other office or place of profit under, or otherwise be interested in, any other company in which the Company may be interested;

(iv) may act by himself or his firm in a professional capacity for the Company (except as its auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;

(v) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal

and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

(e) Save as otherwise provided by the Articles, a Director shall not vote or be counted in the quorum at a meeting in relation to any resolution of the Board or a committee of the Board relating to any contract, arrangement, transaction or other proposal in which he has an interest which, together with any interest of a person connected with him (within the meaning of section 346 of the Act), is to his knowledge a material interest and, if he purports to do so, his vote shall not be counted. The prohibition shall not apply and a Director may vote and be counted in the quorum in respect of any resolution concerning any one or more of the following matters:

(i) any contract, arrangement, transaction or proposal in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;

(ii) the giving of any guarantee, security or indemnity in respect of:

(A) 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

(B) a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;

(iii) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as a holder of any such securities or as an underwriter or sub-underwriter;

(iv) any contract, arrangement, transaction or proposal concerning any other company in which he, and any persons connected with him (within the meaning of section 346 of the Act), do not to his knowledge hold an interest in shares (within the meaning of sections 198 to 211 of the Act) representing one per cent. or more of any class of the equity share capital of that company or of the voting rights available to members of that company;

(v) any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and/or

(vi) the purchase or maintenance of insurance for the benefit of Directors or for the benefit of persons including Directors.

(f) A Director shall not vote or be counted in the quorum at a meeting in respect of any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying its terms) or the termination of his own appointment, to an office or place of profit with the Company or any other Company in which the Company is interested but, 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 to offices or places of profit with the Company or any other company in which the Company is interested, those proposals may be divided and a separate resolution may be put in relation to each Director and, in that case, each of the Directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.

(g) The Directors (other than any Director who for the time being holds an executive office or employment with the Company or a subsidiary of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as Directors such fees, not exceeding in aggregate £120,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine), as the Board may decide. Such sum shall be divided among the Directors in such proportion and manner as the Board may agree or, failing agreement, equally. Any fee payable shall be distinct from any remuneration or other amounts payable to the Director under other provisions of the Articles and shall accrue from day to day. The Directors shall be paid out of the funds of the Company all reasonable travelling, hotel and other expenses properly incurred by him in and about the performance of his duties as Director, including his expenses of travelling to and from Board meetings, committee meetings, general meetings or separate meetings of the holders of any class of shares or debentures in the Company.

(h) If, by arrangement with the Board, any Director performs or renders any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable special remuneration (whether by way of lump sum, salary, commission, participation in profits or otherwise) as the Board may decide in addition to any remuneration payable under or pursuant to any provision of the Articles.

(i) At each annual general meeting one-third of the Directors, or if the number of Directors is not three or a multiple of three, the number nearest to and exceeding one-third, shall retire from office. If there are fewer than three Directors, one Director shall retire from office. Subject to the statutes, the Directors to retire by rotation shall be those who have been longest in office since their appointment or reappointment but, as between Directors who were appointed or re-appointed on the same day, those to retire shall (unless otherwise agreed amongst themselves) be determined by lot.

(j) Subject to the Statutes, the Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a Director or other officer or employee of the Company (other than auditor) or any body which is or was the holding company or subsidiary undertaking of the Company, or in which the Company or such holding company or subsidiary undertaking has or had any interest (whether direct or indirect) or a trustee of any pension fund in which employees of the Company is or has been interested.

(k) The number of Directors (other than alternate Directors) shall not, unless otherwise determined by ordinary resolution of the Company be less than three nor more than ten.

(xiii) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Statutes, to create and issue debenture and other loan stock and debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings so as to procure (but as regards its subsidiary undertakings only so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding of all monies borrowed by the Company and/or its group, (excluding amounts borrowed by any member of the Company's group from any other member of the Company's group and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to two times the Company's adjusted capital and reserves.

(xiv) *Pensions and benefits*

The Board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or has been at any time a Director of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or of any such subsidiary or associated company or the relatives or dependants of any such person. For that purpose the Board may procure the establishment and maintenance of, or participate in, or contribute to, any non-contributory or contributory pension or superannuation fund, scheme or arrangement and pay any insurance premiums.

(xv) *Uncertificated securities*

Pursuant to and subject to the CREST Regulations, the Board may permit shares of any class to be held in uncertificated form and to be transferred or otherwise dealt with by means of a Relevant System (as defined in the CREST Regulations), and may revoke such permission.

4. Placing Warrants

(a) By a resolution of the Board passed on 12 August 2004, the Company adopted the Warrant Instrument dated 12 August 2004, pursuant to which the Company will issue 1,000,000 Placing Warrants, conditional on Admission. One Placing Warrant will be issued to each Placee in the Placing for every 2 Placing Shares subscribed under the Placing (ignoring fractions).

(b) The principal terms of the Warrant Instrument are as follows:

(i) each Placing Warrant will entitle the holder to subscribe for one new Ordinary Share at the subscription price of 60 pence per Ordinary Share if exercised up to the first anniversary of the Warrant Instrument and 80 pence per Ordinary Share if exercised at any time thereafter and may be exercised at any time up to and including the second anniversary of Admission;

(ii) Ordinary Shares issued on the exercise of the Placing Warrants will rank for any dividend or other distribution declared, made or paid on any date after the date on which the relevant Placing Warrant is exercised and otherwise shall rank *pari passu* with the Ordinary Shares then in issue;

(iii) the Warrant Instrument contains provisions for adjustment to the number of shares upon capitalisation of profits or reserves and for appropriate adjustments to the subscription price on a rights issue or on a subdivision or consolidation of share capital. Any offer made to the holders of the ordinary share capital of the Company to acquire shares that would give the offeror the right to cast a majority of the votes which may be cast on a poll at a general meeting, shall be notified to the holders of Placing Warrants who shall be given a period to exercise their Placing Warrants, failing which the Placing Warrants shall lapse;

(iv) so long as any of the subscription rights under the Placing Warrants remain exerciseable, the Company will not without the prior consent of the holders of Placing Warrants:

(A) modify the rights attached to the shares in its capital (whether issued or unissued) in any way which has, or might reasonably be expected to have, a material adverse effect on the rights of the holders of Placing Warrants;

(B) make any distribution of capital reserves (except by means of a capitalisation issue in the form of fully paid Ordinary Shares) or issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares; or

(C) reduce by repayment to the holders of shares in its capital, its share capital, share premium account or capital redemption reserve;

(v) Placing Warrants, which will be registered, will be transferable by instrument of transfer in any usual or common form or in any form approved by the Directors including in uncertificated form; and

(vi) the rights of the holders of the Placing Warrants may be altered or abrogated with the prior written consent of the holders of 75 per cent. of the Placing Warrants.

5. Directors' and other Interests

(a) *Holdings in Ordinary Shares*

(i) The interests of the Directors (all of which are beneficial save where otherwise stated) in the issued share capital of the Company as at the date of this document and as they are expected to be immediately following Admission, which are required to be shown in the register

maintained under section 325 of the Act or which are required to be notified by a director and the persons connected (within the meaning of section 346 of the Act) with them (or in the case of such a connected person, would be required to be notified by that person had he been a director) to the Company pursuant to sections 324 and 328 of the Act are as follows:

	At the date of this document		*Following Admission*	
	Number of Existing Ordinary Shares	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
Jimmy West	1,125,000	11.3	1,125,000	9.4
Peter Earl†	4,000,000	40.0	4,000,000	33.3
Mike Eyre	500,000	5.0	500,000	4.2
Elizabeth Shaw	500,000	5.0	500,000	4.2
Frank Mattos	25,000	0.3	25,000	0.2

† Peter Earl directly holds 2,000,000 Existing Ordinary Shares, which represent 20 per cent. of the Existing Ordinary Shares of the Company. Secteur Holdings Limited which is wholly owned by the Earl Family Settlement holds 2,000,000 Existing Ordinary Shares which represent 20 per cent. of the Existing Ordinary Shares. Peter Earl is not a beneficiary of the Earl Family Settlement.

(ii) Save as disclosed below and in paragraph 5(a)(i) above, the Directors are not aware of any interest (within the meaning of Part VI of the Act) in the Company's issued share capital which, at the date of this document and immediately following Admission, would amount to 3 per cent. or more of the Company's issued share capital:

	At the date of this document		*Following Admission*	
	Number of Existing Ordinary Shares	*Percentage of Existing Ordinary Shares*	*Number of Ordinary Shares*	*Percentage of Enlarged Share Capital*
European Power Systems A.G.	2,000,000	20.0	2,000,000	16.7
Susan Laker	500,000	5.0	500,000	4.2

(b) Save as disclosed in paragraphs 5(a)(i) to 5(a)(ii) above, the Directors are not aware of any person or persons who directly or indirectly, jointly or severally exercise or could exercise control over the Company.

(c) Save as disclosed in this document:

(i) no Director has any interest in the issued share capital of the Company and no Director will acquire shares in the Company pursuant to the Placing;

(ii) no contract or arrangement with the Company subsists or has subsisted since incorporation in which any Director is or was materially interested and which is significant in relation to the business of the Company taken as a whole;

(iii) no Director has had any interest, direct or indirect, in any asset since incorporation which has been or which is proposed to be acquired, disposed of by or leased to the Company; and

(iv) no amount or benefit has been paid or given by the Company since incorporation to any promoter nor is any such payment or gift intended.

(d) No Director has or has had any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or which is or was significant to the business of the Company and which was effected by the Company during the current year and remains, in any respect, outstanding or unperformed.

(e) No loans are outstanding by the Company to or for the benefit of any of the Directors or their connected persons, nor has any guarantee been provided by the Company for the benefit of any Director or his connected persons.

(f) For the financial year ended 30 June 2004, the aggregate remuneration paid to the Directors by the Company was nil. Under arrangements now in force, conditional on Admission, the Directors' aggregate remuneration and benefits in kind for the financial year ending 30 June 2005 are estimated to be £70,000, on the basis that the Company's first acquisition or investment occurs on 31 August 2004.

(g) In addition to their directorships of the Company, the Directors currently hold, and in the previous five years have held, the following directorships and are or were partners of the following partnerships:

Name	*Current directorships and partnerships*	*Previous directorships and partnerships*
Jimmy West	Aberdeen Convertible Income Trust plc Aberdeen New Dawn Investment Trust plc Associated British Foods Pension Trustees Limited British Assets Trust plc Candover Investments plc Gartmore Fledgling Trust plc Global Natural Energy plc Independent Power Corporation plc IV plc (formerly Intrinsic Value plc) JFIT Securities Limited Jimmy West Associates Limited Jupiter Financial Trust plc Scottish & Newcastle Pensions Investments (1998) Limited Scottish & Newcastle Pensions Limited Shires Smaller Companies plc UK Select Trust Limited	Catalyst Fund Management & Research Limited Courage Pensions Investments Limited Courage Pensions Limited European Financial Services Venture Fund Limited Latchly Management Limited LEPCO plc Principal Healthcare Finance Ltd Snackhouse plc Themis FTSE Fledgling Index Trust plc
Peter Earl	The Database Correction Company Limited Gori Mayu Limited Guaracachi Americas Inc. Independent Power Corporation plc Independent Power Finance Limited Independent Power Operations Limited Independent Power Southern Africa Limited Integrated Energy Limited Integrated Hydropower Limited Nepal Independent Hydro Limited Nepal Integrated Energy Limited Peru Integrated Energy Limited Sloane Corporate Finance Limited The Sloane Wine Company Limited South Asia Integrated Energy Limited Southern Integrated Energy Limited The Wychwood Regeneration Company plc Empresa Eléctrica Guaracachi, S.A. Bolivia Integrated Energy Limited	Crediton Minerals Limited Independent Power International Limited Consort Resources Limited (now Caledonia Energy Limited) Independent Power (UK) Limited IPC Operations Limited International Rainforest Resource Centre Limited Kazakh Independent Power Limited Kyrgyz Independent Hydro Power Corporation Limited Superski Limited Park Avenue Nominees Limited Ukraine Independent Power Limited Tranwood plc Tranwood Capital Limited Tranwood Earl & Company Limited

Name	*Current directorships and partnerships*	*Previous directorships and partnerships*
Mike Eyre	Bioethanol Limited Bioethanol Automotive Limited Hitech Energy Limited Independent Power Operations Limited Independent Power Southern Africa Limited TV Energy Limited	Empresa Eléctrica Guaracachi, S.A. Integrated Development Projects Limited Peninsular Power Limited
Elizabeth Shaw	The Database Correction Company Limited Independent Power Corporation plc Independent Power Operations Limited Independent Power Southern Africa Limited	Empresa Eléctrica Guaracachi, S.A. Fieldstone Private Capital Group Limited
Frank Mattos	Franklands Court Limited	None

(h) (i) None of the Directors has any previous names.

(ii) None of the Directors has any unspent convictions in relation to indictable offences.

(iii) None of the Directors has ever had a bankruptcy order made against him or entered into an individual voluntary arrangement or had a receiver appointed to any of his assets.

(iv) None of the Directors has, save as set out below, been a director of a company at the time of, or within the preceding 12 months of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or where it has made any composition or arrangement with its creditors or generally or any class of its creditors:

(A) Jimmy West is a non-executive director of IV plc (formerly Intrinsic Value plc), which went into members' voluntary liquidation on 10 June 2004. He was a non-executive director of Latchly Management Limited, which went into creditors' voluntary liquidation on 28 March 2000 and a non-executive director of Snackhouse plc, which went into creditors' voluntary liquidation on 5 October 2001.

(v) None of the Directors has been a partner of a partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement or had a receiver appointed to any partnership asset whilst he was a partner of that partnership at the time or within 12 months after he ceased to be a partner of that partnership.

(vi) None of the Directors has been publicly criticised by any statutory or regulatory authority (including recognised professional bodies), or 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. Directors' service agreements and letters of appointment

(a) *Executive Directors' service agreements*

Each of the Executive Directors, has entered into service agreements with the Company which are conditional upon and have effect from the date of Admission and will be in substitution for their existing service agreements or contractual arrangements with the Company.

The appointments of Peter Earl, Elizabeth Shaw and Mike Eyre are governed by the terms of their respective Executive Directors service agreements each dated 26 July 2004, which are conditional on Admission. The amount of time each of the Executive Directors devotes to the affairs of the Company will vary based on the requirements of the business. Pursuant to the terms of his/her agreement the Executive Directors shall each be entitled to a gross annual fee

of £24,000 payable monthly in arrears and subject to annual review by the remuneration committee of the Board. Under the terms of the agreements, no fees shall be payable to the Executive Directors before completion of the Company's first acquisition or investment as determined by the Board. No compensation will be payable for loss of office. There is no provision for any further benefit to be provided to the Executive Directors under the service agreements.

The service agreements are terminable on 6 months' written notice from either party. They also contain 6 month post-termination restrictions on the Executive Director being engaged by any customer of the Company, soliciting any customer of the Company, dealing with any customer of the Company, soliciting any key employee, or employing any key employee.

Each of the Executive Directors agrees to conform to such hours of work as may be from time to time reasonably required of him and affirms that the average working time limit of 48 hours per week provided by the Working Time Regulations 1998 does not apply to his appointment.

(b) *Non-Executive Directors' letters of appointment*

The appointments of Jimmy West and Frank Mattos as Non-Executive Directors of the Company are governed by the terms of letters of appointment each dated 23 July 2004 which are conditional on Admission. Each such appointment is terminable on not less than 1 month written notice by either party. Pursuant to the terms of the letters of appointment, the Non-Executive Directors are entitled to an annual fee of £6,000 each. They are also entitled to reimbursement for all reasonable out of pocket expenses properly incurred by them on Company business. Under the terms of the letters of appointment, no fees shall be payable to the Non-Executive Directors before the completion of the Company's first acquisition or investment as determined by the Board.

(c) Save as disclosed in this paragraph 6, there are no existing or proposed service agreements between any Director and the Company.

(d) Save as referred to in this paragraph 6, no service or consultancy agreements between any existing director, and the Company have been entered into or amended within 6 months prior to the publication of this document.

7. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been either entered into by the Company since its incorporation and are, or may be, material or are contracts entered into at any time which contain provisions under which the Company has an obligation or entitlement which is material to the Company as at the date of this document.

(a) *Placing and Broker Agreement*

Under the terms of the Placing and Broker Agreement, Hichens Harrison has agreed to act as broker to the Company in respect of the Placing and to use its reasonable endeavours to procure persons to subscribe for Placing Shares at the Placing Price.

The Company has agreed to pay to Hichens Harrison a commission of 5 per cent. of the gross proceeds raised by Hichens Harrison in respect of the issue of Placing Shares. In addition, on Admission, the Company shall pay a fee of £20,000 plus VAT to Hichens Harrison and shall issue the Broker Warrants to Hichens Harrison. The Company shall also pay to Hichens Harrison an annual fee of £15,000 plus VAT for acting as the Company's broker, to be payable quarterly in arrears for a minimum period of 12 months, the first payment of which shall be invoiced on Admission.

(b) *Lock-ins and orderly marketing arrangements*

Following Admission, the Directors will in aggregate be interested in 6,150,000 Ordinary Shares representing approximately 51.3 per cent. of the issued share capital of the Company. Details of these shareholdings are set out in paragraph 5 of this Part IV. The Directors, European Power Systems A.G. and Secteur Holdings Limited which are substantial

Shareholders as set out in paragraph 5 of this Part IV, have undertaken to the Company and the Broker that, except in limited circumstances, they will not sell or dispose of any of their Ordinary Shares for a period of 12 months from Admission and that, for a further period of twelve months thereafter, they will only sell or dispose of their Ordinary Shares through the Company's broker from time to time.

(c) *Nomad Agreement*

Under the Nomad Agreement, the Company appointed Arbuthnot Securities to act as nominated adviser to the Company in relation to and following Admission. The appointment commenced on 12 August 2004 and can be terminated by the Company or Arbuthnot Securities on 30 days' written notice. The Nomad Agreement contains certain warranties, undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with applicable laws and regulations and an agreement to provide Arbuthnot Securities with certain information whilst it remains nominated adviser. The Nomad Agreement provides for a payment of an annual retainer of £10,000 plus VAT until completion of the Company's first acquisition and thereafter an annual retainer of £25,000 plus VAT. The Nomad Agreement, together with the engagement letter between Arbuthnot Securities and the Company dated 30 June 2004 also provides for the payment to Arbuthnot Securities of a corporate finance fee of £100,000 plus VAT, payable on Admission, in addition to the payment of certain other fees and expenses by the Company.

(d) *Option Agreement*

The Option Agreement with EGSA was entered into on 9 July 2004 and provides the Company with an option to acquire ESA for a consideration of US$ 3.7 million to be satisfied by a combination of vendor consideration shares and/or cash. By completing the SPA, the Company will also assume the obligation to discharge certain liabilities inherited by EGSA from ENDE. These obligations will have a nominal value of approximately US$9.0 million and are payable between now and 2022.

Pursuant to the terms of the Option Agreement, the Company has 90 days from the date of the Option Agreement in which to enter into the SPA. There is no absolute commitment or obligation on the Company to acquire any or all of the shares in the capital of ESA. Completion of the Acquisition is conditional on a number of matters, including legal, financial and commercial due diligence on ESA being carried out to the Company's satisfaction and all licences, authorisations, consents, other necessary approvals being obtained and the raising of the required funding.

It is intended that the SPA will contain warranties from EGSA to the Company in respect of corporate matters, the accounts of ESA, its financing, trading history, employees, assets, properties and tax-related issues. The SPA will be subject to English law.

(e) *Broker Warrants*

The Broker Warrants are governed by an instrument entered into as a deed poll by the Company on 12 August 2004 under which the Company has agreed to create and issue warrants to Hichens Harrison at the date of Admission, conferring on them the right to subscribe in cash at the Placing Price for up to 75,000 Ordinary Shares. The period during which the Broker Warrants can be exercised starts on the date of Admission and expires on the second anniversary of Admission. The Broker Warrants are transferable by the holder of them for the time being but will not be admitted to trading on AIM.

(f) *Warrant Instrument*

A summary of the principal terms of the Warrant Instrument as set out in paragraph 4 above.

(g) *Services Agreement*

Under the Services Agreement, IPC has agreed to provide certain office and facilities services, including a licence to occupy premises at IPC's offices, receptionist and secretarial services, Spanish/English translation services, general administration and IT support services under

the £120,000 annual fee with other services on request at a separate charge. The monthly fee for these services is £10,000 plus VAT, payable monthly in arrears. The service agreement is for a period of 5 years, and commenced on 23 July 2004, and is terminable by either party on 1 month's notice.

8. Litigation

There are no legal or arbitration proceedings active, pending or threatened (so far as the Directors are aware) against or being brought by the Company, which have, or may have had since its incorporation, a significant effect on the financial position of the Company.

9. Working capital

The Directors are of the opinion, having made due and careful enquiry, that, taking into account the net proceeds of the Placing, the working capital available to the Company will be sufficient for its present requirements, that is for at least the next 12 months from the date of Admission.

10. Taxation

The following information is based upon the law and practice currently in force in the United Kingdom. Except when expressly stated, it applies to persons resident in the United Kingdom for tax purposes. The information is of a general nature only, and is not a full description of all relevant tax considerations. In particular, it does not apply to persons who do not hold their Ordinary Shares or Placing Warrants as investments. **Any person who is in any doubt as to his tax position should consult a professional adviser concerning his tax position in respect of the acquisition, holding or disposal of Ordinary Shares or Placing Warrants.**

(a) *Dividends – UK resident shareholders*

Under current United Kingdom taxation legislation no withholding tax applies on dividends paid by the Company.

Where the Company pays a dividend, a holder of Ordinary Shares who is an individual and who receives that dividend is generally entitled to a tax credit in respect of the dividend received. The tax credit currently equals 10 per cent. of the combined amount of the dividend and tax credit. Such individuals will be liable to income tax on the aggregate of the dividend and tax credit (the "gross dividend"), which together will be regarded as the top slice of the individual recipients' income for tax purposes and will be subject to UK income tax at the rates of tax described below.

Individual shareholders who are liable to income tax at lower or basic rate will be liable to tax on the gross dividend received at the rate of 10 per cent. This means that the tax credit will fully satisfy the individual's liability to pay income tax at the lower or basic rate.

The rate of income tax applied to dividends received by individual shareholders liable to income tax at the higher rate will be the Schedule F upper rate (currently 32.5 per cent. of the gross dividend). After taking into account the 10 per cent. tax credit a higher rate tax payer will be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend.

A corporate shareholder will not be liable to UK corporation tax on any dividend received from the Company.

Shareholders who are not liable to income tax on the dividend income cannot reclaim payment of the tax credit from the Inland Revenue.

(b) *Dividends – non UK resident shareholders*

Shareholders not resident in the UK are generally not taxed in the UK on dividends received by them. By virtue of double taxation agreements between the UK and other countries, some

overseas shareholders may be able to claim payment of all or part of the tax credits carried by the dividends they receive from UK companies. Persons who are not resident in the UK should consult their own tax advisers on the possible applicability of such provisions, the procedure for claiming repayment and what relief or credit may be claimed in respect of such tax credit in the jurisdiction in which they are resident.

(c) *Taxation of chargeable gains*

Any disposal of Ordinary Shares or Placing Warrants by a shareholder resident or ordinarily resident for tax purposes in the UK or a non-UK resident shareholder who carries on a trade, profession or vocation in the UK through a branch or agency and has used, held or acquired the Ordinary Shares or Placing Warrants for the purposes of such trade, profession or vocation or such branch or agency may, depending on the shareholder's circumstances, and subject to any available exemptions, allowances or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax (or for companies, corporation tax on chargeable gains unless the gain is exempted by the Substantial Shareholding Exemption legislation). Special rules apply to disposals by individuals at a time when they are temporarily not resident or ordinarily resident in the UK.

The amount of any chargeable gain may be reduced by indexation (in the case of Shareholders who are UK Resident Companies) or taper relief (in the case of individual and certain trustees).

No chargeable gain or allowable loss will accrue to the holder of a Placing Warrant on exercise of that warrant. The warrant holder will be treated for tax purposes as having acquired the Ordinary Shares he receives on exercise of the Placing Warrants for a consideration equal to the aggregate of the amounts paid to acquire and to exercise the Placing Warrants.

(d) *Stamp duty and stamp duty reserve tax*

No liability to stamp duty or stamp duty reserve tax ("SDRT") will arise on the allotment of new Ordinary Shares or Placing Warrants by the Company pursuant to the Placing.

The conveyance or transfer on sale of Ordinary Shares or Placing Warrants, which are held in certificated form following registration will be subject to stamp duty on the instrument of transfer, at the rate of 0.5 per cent. (rounded up to the nearest multiple of £5) of the amount of the value of the consideration. The agreement to transfer such shares or warrants will also give rise to a SDRT liability, again at the rate of 0.5 per cent. of the amount of the value of the consideration. This liability is cancelled (and any SDRT paid, refunded) if the agreement is completed by a duly stamped transfer within six years of the agreement becoming unconditional. Where Ordinary Shares or Placing Warrants are held in uncertificated form within CREST a liability to SDRT will arise where a change in the legal and/or beneficial ownership of those ordinary shares occurs.

The above is a summary of certain aspects of current law and practice in the UK. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

11. Consents

(a) Arbuthnot Securities has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they are included.

(b) Grant Thornton has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and the references to its name in the form and context in which they are included.

(c) Hichens Harrison has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they are included.

12. General

(a) Other than as described in this document, there has been no significant change in the trading or financial position of the Company since 30 June 2004, the date to which the latest audited financial statements of the Company were made up.

(b) It is estimated that the total expenses payable by the Company in connection with the Placing and Admission will amount to approximately £200,000 (excluding value added tax).

(c) The amount payable on application and allotment of each Placing Share is 40 pence of which 38 pence is payable by way of premium.

(d) The Company is making an application to CRESTCo for the Ordinary Shares and the Placing Warrants to be settled through CREST and to be admitted as a participating security. It is expected that the admission of the Ordinary Shares and the Placing Warrants in CREST as a participating security will be effective from Admission. Holders of the Ordinary Shares or Placing Warrants who are direct or sponsored members of CRESTCo will be able to dematerialise their Ordinary Shares or Placing Warrants in accordance with CREST Regulations.

(e) Save as disclosed in this document:

(i) there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business;

(ii) the Directors are not aware of any exceptional factors which have influenced the Company's activities; and

(iii) the Company has no significant investments in progress.

(f) In the opinion of the Directors, the minimum amount which must be raised for the purposes mentioned in paragraph 21 of Schedule 1 to the POS Regulations by the allotment of Ordinary Shares pursuant to the Placing is as follows:

(i)	Purchase price of property	£Nil
(ii)	Preliminary expenses and commissions	£200,000
(iii)	Repayment of money borrowed in respect of (i) and (ii) above	£Nil
(iv)	Working capital	£600,000

There are no amounts to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the Placing.

(g) Except as detailed in this document, no person (other than professional advisers as referred to in this document and trade suppliers) has received, directly or indirectly, from the Company within the twelve months preceding the date of this document, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

(a) fees totalling £10,000 or more;

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission, which includes all the existing shareholders of the Company.

13. Documents available for inspection

Copies of the following documents are available for inspection at the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH during normal business hours on any weekday (public holidays excepted) from the date of this document until a date one month following Admission:

(a) the memorandum and articles of association of the Company;

(b) the accountants' report by Grant Thornton set out in Part III of this document;

(c) the audited financial statements of the Company for the financial period ended 30 June 2004;

(d) the material contracts referred to in paragraph 7 above;

(e) the Directors' service agreements and letters of appointment referred to in paragraph 6 above;

(f) the consent letters referred to in paragraph 11 above; and

(g) this document.

14. Availability of this document

Copies of this document will be available free of charge at the registered office of the Company, the offices of Hammonds, 7 Devonshire Square, Cutlers Gardens, London EC2M 4YH and the offices of Arbuthnot Securities, Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR during normal business hours on any weekday (public holidays excepted) from the date of this document until a date one month following Admission.

Dated: 12 August 2004