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A copy of this document, which comprises a prospectus incorporating a circular relating to Premier Energy and Water Trust PLC (the "Company") prepared in accordance with the Listing Rules and the Prospectus Rules made pursuant to section 73A of the Financial Services and Markets Act 2000, has been filed with the Financial Services Authority and made available to the public in accordance with rule 9.6.1 of the Listing Rules and rule 3.2 of the Prospectus Rules.

If you sell or have sold or otherwise transferred all of your holding in Premier Energy and Water Trust PLC, please forward this document, together with all enclosures (other than any personalised Tender Forms or Purchase Forms), as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred or otherwise disposed of only part of your holding in the Company, you should retain this document and enclosures and consult the stockbroker, bank or other agent through whom the sale, transfer or disposal was effected. However, such documents should not be forwarded to or transmitted in or into the United States, Canada, Australia, the Republic of South Africa or Japan (each a "Restricted Territory"). Shareholders (including, without limitation, nominees, trustees or custodians) with registered addresses outside the United Kingdom or who would, or otherwise intend to, forward this document and the accompanying documents to or in any jurisdiction outside the United Kingdom should read the paragraph headed "Overseas Shareholders" in Part 5 of this document.

The Directors of the Company, whose names appear on page 20 of this document, and the Company itself accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (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.

J.P. Morgan Cazenove Limited ("J.P. Morgan Cazenove"), which is authorised and regulated in the United Kingdom by the Financial Services Authority, has been appointed sponsor to the Company and is acting solely for the Company and for no one else in connection with the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of J.P. Morgan Cazenove or for affording advice in relation to the Proposals or any other matter referred to in this document. J.P. Morgan Cazenove is not responsible for the contents of this document. This does not exclude or limit any responsibilities which J.P. Morgan Cazenove may have under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

PREMIER ENERGY AND WATER TRUST PLC

(Incorporated in England and Wales with registered number 4897881)

Extension of the life of the Company

Tender Offers by J.P. Morgan Cazenove Limited

Matching Purchase Facility, Placing, Adoption of New Articles of Association and Notices of Meetings

Sponsor

J.P. Morgan Cazenove Limited

Applications will be made to the UK Listing Authority for the New ZDP Shares and New Ordinary Shares to be admitted to the Official List and to the London Stock Exchange for such New ZDP Shares and New Ordinary Shares to be admitted to trading on its Main Market. It is expected that Admission will occur, and that dealings in such shares will commence, at 8.00 a.m. on or around 23 December 2009.

Notices of the separate class meetings of the ZDP Shareholders and the Ordinary Shareholders and of the General Meeting of the Company all to be held at the offices of J.P. Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA at 10.00 a.m., 10.15 a.m. and 10.30 a.m. respectively on 18 December 2009 are set out on pages 107 to 113 of this document. To be valid, the relevant Forms of Proxy for use at such meetings, which are enclosed with this document, must be completed and returned in accordance with the instructions printed on them so as to be received by Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for holding the relevant meeting. If you hold your shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Capita Registrars so that it is received by no later than 48 hours before the time appointed for holding the relevant meeting. The return of a Form of Proxy or CREST Proxy Instruction will not prevent you from attending the relevant meeting and voting in person if you wish to do so.

The Tender Offers, which are conditional *inter alia* upon the passing of the resolutions at the Shareholder Meetings, will close at 1.00 p.m. on 15 December 2009 and will only be available to Shareholders on the Register as at 5.00 p.m. on 15 December 2009. Shareholders who hold their Shares in certificated form and who wish to tender Shares for purchase in the Tender Offers should ensure that their completed Tender Forms are returned either by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 1.00 p.m. on 15 December 2009. Shareholders who hold their Shares in certificated form should also return their share certificate(s) in respect of the Shares tendered. Shareholders who hold Shares in uncertificated form (that is, in CREST) should not send back a Tender Form but should arrange for the Shares tendered to be transferred into escrow as described in paragraph 8 of Part 5 of this document.

The New ZDP Shares and the New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons except in certain transactions exempt from the registration requirements of the Securities Act. No public offer of the New ZDP Shares or the New Ordinary Shares is being made in the United States. New ZDP Shares and New Ordinary Shares are only being offered and sold outside the United States to non-US Persons in offshore transactions in reliance on Regulation S under the Securities Act. In addition, the Company will not be registered under the US Investment Company Act of 1940 and investors will not be entitled to the benefits of such act.

The Tender Offers are not being made directly or indirectly in or into or by use of mails or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or any facility of a national securities exchange, of the United States, nor are they being made directly or indirectly in or into Canada, Australia, the Republic of South Africa or Japan and cannot be accepted by any such use, means, instrumentality or facility or from within the United States, Canada, Australia, the Republic of South Africa or Japan.

This document is to be read in conjunction with all documents which are deemed to be incorporated by reference and should be read in its entirety before making any investment decision. In particular, the attention of potential investors is drawn to the section headed "Risk Factors" on pages 8 to 13 of this document.

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SUMMARY

This summary should be read as an introduction to the full text of this document and any decision to invest or remain invested in, or to divest, Shares should be based on consideration of the full text of this document as a whole. Where a claim relating to the information contained in this document is brought before a court, a plaintiff investor may, under the national legislation of an EEA State, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches to the Company and its Directors who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document.

Introduction

The Company is an investment trust which was launched in 2003 with the objective of achieving high income from its portfolio and to realise long term growth in the capital value of the portfolio. The Company has a fixed life until 31 December 2010 and a share capital consisting of Ordinary Shares and ZDP Shares.

In light of the performance of the Company to date and following discussions with a number of Shareholders who have indicated a desire to remain invested in the Company, the Board has formulated proposals to extend the life of the Company beyond 31 December 2010 and to effect the Tender Offers. Concurrently with the Tender Offers, the Board has arranged for J.P. Morgan Cazenove to operate a Matching Purchase Facility and make available a Placing.

Summary of the Proposals

The Board is seeking Shareholders' approval for the Proposals, which in summary comprise:

- the extension of the life of the Company to 31 December 2015 by releasing the Directors of the Company from the obligation to put forward winding up proposals on 31 December 2010;
- a revision of the rights attaching to the ZDP Shares, such that their life will continue until 31 December 2015 and their yield to redemption will also be changed;
- effecting the Tender Offers for Ordinary Shares and ZDP Shares;
- operating a Matching Purchase Facility to enable Shareholders to purchase Shares tendered under the Tender Offers;
- making available a Placing of (i) Shares tendered under the Tender Offers and not taken up under the Matching Purchase Facility and (ii) New Shares to J.P. Morgan Cazenove's institutional clients to the extent that more Shares are required to satisfy demand under the Placing than are available following the Tender Offers and not taken up under the Matching Purchase Facility; and
- amending the Articles of Association to accommodate the new rights attaching to the ZDP Shares and to make various changes to reflect final implementation of the 2006 Act.

Benefits of the Proposals

The Board believes that the Proposals will result in the following principal benefits:

- a London listed closed-ended investment trust for those Shareholders who wish to continue their investment beyond 2010;
- an opportunity for Shareholders to remain invested and delay crystallisation of any charge to UK capital gains tax until 2015;
- an opportunity for Shareholders (other than Excluded Overseas Shareholders) to realise up to 40 per cent., and possibly more, of their investment in the Company at a discount to NAV of 5 per cent. as at the Calculation Date (in the case of Ordinary Shareholders), and at a price of 156 pence representing a premium to NAV of 3 per cent. at the Calculation Date (in the case of ZDP Shareholders);

- offering existing Shareholders the opportunity to increase their investment in the Company through the Matching Purchase Facility and, where institutional clients of J.P. Morgan Cazenove, the Placing; and
- introducing new investors to the Company through the Placing.

Investment Objectives

The Company's investment objectives are to achieve high income from its portfolio and to realise long-term growth in the capital value of the portfolio. The Company will seek to achieve these objectives by investing principally in equity and equity-related securities of companies operating primarily in the energy and water sectors, as well as other infrastructure investments.

Investment Policy

The policy of the Directors is that, in normal market conditions, the portfolio of the Company should consist primarily of a diversified portfolio of equity and equity-related securities of companies operating in the energy and water sectors, as well as other infrastructure investments. There are no restrictions on the proportion of the portfolio of the Company which may be invested in any one geographical area or asset class but no more than 15 per cent. of the Company's assets, at the time of acquisition, will be invested in a single security. The Company may also invest up to 15 per cent. of its gross assets in investment companies provided they themselves invest in utilities and infrastructure. However, not more than 10 per cent. of the Company's gross assets may be invested in other UK listed closed-ended investment funds unless such funds themselves have published investment policies to invest not more than 15 per cent. of their total assets in other UK listed closed-ended investment funds (provided they themselves invest in utilities and infrastructure). The Company may invest up to 15 per cent. of its gross assets in unquoted securities. There are no borrowings under financial instruments or the equivalent of financial instruments but investors should be aware of the gearing effect of the ZDP Shares within the capital structure.

Investment Opportunity

The perceived principal drivers of change that have created investment opportunities in the water, power, gas distribution and infrastructure markets will continue to be the basis for investment opportunities in the future. These are as follows:

- Ongoing liberalisation of utility markets;
- The need for capital to replace ageing or outdated infrastructure;
- Future capacity shortages despite the recession;
- Environmental considerations in the light of climate change;
- Growth in demand for energy and water; and
- A growing focus on national and regional energy security.

Investment Manager

The ultimate holding company of the Investment Manager is Premier. Premier is a privately owned asset management company. Its principal shareholders are the management team and Electra Private Equity PLC. Premier manages a range of authorised UK and offshore funds, including closed-ended investment companies, as well as providing discretionary portfolio management services for private and corporate clients via its FSA-regulated subsidiaries.

Premier has agreed the purchase, from Aberdeen Asset Management PLC, of the management contracts for two open-ended investment company umbrella funds containing 10 open-ended former Credit Suisse funds. The acquisition is expected to complete in December 2009, subject to the consent of Premier's shareholders. The funds acquired will take Premier's total funds under management to approximately £2.5 billion based on valuations at 31 October 2009.

Extension of the life of the Company

In order to facilitate the return of capital due to ZDP Shareholders in 2010, the Company's Articles of Association require the Directors to put proposals to Shareholders on 31 December 2010 to wind up the Company voluntarily unless previously released from their obligation to do so. In order to proceed with the Proposals, the Directors are therefore proposing to extend the life of the Company by a further five years to 31 December 2015 and are seeking to be released from the obligation to put such winding up proposals to Shareholders in 2010 by proposed changes to the Articles of Association.

Tender Offers

The Tender Offers are being made to Shareholders (other than Excluded Overseas Shareholders) by J.P. Morgan Cazenove for up to 7,257,373 Ordinary Shares at the Record Date, representing 40 per cent. of the issued Ordinary Share capital, and up to 7,657,373 ZDP Shares at the Record Date, representing 40 per cent. of the issued ZDP Share capital (after matching tenders with applications for Shares under the Matching Purchase Facility and the Placing).

The Ordinary Share Tender Offer is being made at a price which represents a 5 per cent. discount to the Net Asset Value per Ordinary Share as at the Calculation Date.

The ZDP Share Tender Offer is being made at a price of 156 pence which represents a 3 per cent. premium to the Net Asset Value of a ZDP Share as at the Calculation Date.

The Tender Offers will be implemented by means of on-market purchases by J.P. Morgan Cazenove, which will, as principal, purchase the Shares tendered (subject to the overall limits of the Tender Offers, the Matching Purchase Facility, the Placing and the operations of the scaling back arrangements described in this document).

Matching Purchase Facility and Placing

Concurrently with the Tender Offers, the Directors have arranged for J.P. Morgan Cazenove to operate a Matching Purchase Facility whereby Shares tendered under the Tender Offers will be available for purchase at the relevant Purchase Price (plus stamp duty) by Shareholders who wish to increase their investment in the Company by way of an on-market transaction. J.P. Morgan Cazenove will also place Shares with its institutional clients (other than from certain overseas jurisdictions) to the extent they are available through tenders, and not taken up under the Matching Purchase Facility, at the relevant Purchase Price (plus stamp duty).

Where Shares are purchased by J.P. Morgan Cazenove under the Tender Offers they will first be allocated to the Matching Purchase Facility and then the Placing, and any balance will be repurchased by the Company. This is subject to the scaling back described in more detail below.

To the extent that more Shares are required to satisfy demand under the Placing than are available following the Tender Offers and the Matching Purchase Facility, New Shares will be issued to places, subject to the scaling back described in more detail below, up to a maximum of 18,000,000 New Ordinary Shares and 20,000,000 New ZDP Shares.

Applications will be made to the UK Listing Authority for the New Shares to be issued under the Placing to be admitted to the Official List of the UK Listing Authority and to be admitted to trading on the Main Market of the London Stock Exchange.

Scaling back under the Proposals

The Board has, in conjunction with the Investment Manager, deemed it desirable to have as near as practicable a balanced capital structure for the Company going forward. Therefore, the Proposals have been formulated so that the capital structure of the Company immediately following full implementation of the Proposals will reflect as near as practicable, the same aggregate Net Asset Value of ZDP Shares as for Ordinary Shares (the Relevant Proportion). As a consequence, tenders of Shares under the Tender Offers will be scaled back after taking into consideration the gross redemption yields on the ZDP Share Tender Price

below which ZDP Shareholders have elected to tender and applications for Shares under the Matching Purchase Facility and under the Placing, in each case so as to achieve the Relevant Proportion.

Principal Risk Factors

The principal risk factors affecting the Company and the Ordinary Shares and/or ZDP Shares, which are known to the Directors are considered to include the risk factors below. They are not set out in any order of importance or priority. If any or a combination of these risks should occur, the financial condition, prospects and market value of the Company could be materially different and adversely affected and each risk factor should be read accordingly.

- The value of the Shares and, in the case of the Ordinary Shares, income derived from them (if any) can go down as well as up.
- The Ordinary Shares are geared by the Company's structure and should therefore be regarded as carrying above average risk.
- A reduction of income from the Company's investments would adversely affect the yield on the Ordinary Shares.
- Owing to the high yield nature of certain of the Company's existing and intended investments, the share prices of such investments in the Company's portfolio could be adversely affected by a change in the market sentiment or a general rise in interest rates.
- Ordinary Shares are only an appropriate investment for potential investors who understand that, on the Planned Winding Up Date (or, if the Proposals are implemented, the Revised Winding Up Date), they may receive an amount less than the price paid for their Shares and that, if there is insufficient growth in the gross assets of the Company, they may receive no distribution at all at the Planned Winding Up Date (or, if the Proposals are implemented, the Revised Winding Up Date).
- The market values of the ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the ZDP Shares.
- The holders of Ordinary Shares are entitled to all the net revenue profits (including accumulated but unpaid revenue reserves) of the Company on a winding up (or an equivalent capital amount (after payment of the Company's liabilities) in the event that the Company is not entitled to pay dividends) in priority to the capital entitlement of the holders of ZDP Shares even in circumstances where the Company has insufficient assets to pay the final capital entitlement of the ZDP Shares and the Company may continue to pay dividends in circumstances where the ZDP Shares are uncovered or where the holders of ZDP Shares have little or no prospect of receiving their final capital entitlement.
- Should the Proposals be implemented (and, if implemented the Company be wound up prior to the Revised Winding Up Date), holders of ZDP Shares would only receive their accrued entitlement to the date of the winding up. This would be less than the final capital entitlement.
- The price of the Shares may increase going forward and a Shareholder, to the extent he or she participates in the Tender Offers, will lose the benefit of any such gains.
- In certain circumstances, such as a major fall in the capital value of the Company's portfolio such that the final capital entitlement of the ZDP Shares is significantly uncovered but where the Company's portfolio is still generating revenue, the interests of ZDP Shareholders and the Ordinary Shareholders may conflict. In such circumstances, the Directors may find it impossible to meet fully both sets of expectations and so will need to act in a manner which they consider to be fair and equitable to both classes of Shareholders but having regard to the entitlements of each class of Shares under the Articles.
- There is no guarantee that the investment policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objective.

- While it is the intention of the Directors to pay dividends to Ordinary Shareholders, the ability of the Company to pay any dividends in respect of the Ordinary Shares will depend primarily on the level of income received from its investments and the timing of receipt of such income by the Company.
- The companies in which the Company will invest are, in general, exposed to a higher level of political and regulatory risk than companies in the stock market as a whole.
- The Company may invest in non-investment grade bonds or other debt securities. These are subject to credit, liquidity and interest rate risks.
- The Company may invest up to 15 per cent. of its gross assets (at the time of investment) in unlisted and unquoted securities. These types of securities are generally subject to higher valuation uncertainties and liquidity risks than securities listed or traded on a regulated market.
- Certain of the Company's investments will be in securities which are not denominated or quoted in Sterling, the base currency of the Company. The movement of exchange rates between Sterling and any other currencies in which the Company's investments are denominated may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company.
- Any change in accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.
- In the event that the Company issues the maximum number of New Shares under the Placing, the existing Ordinary Shareholders will be diluted by up to 3.4 per cent. of Net Asset Value.
- In the event that the Company repurchases the maximum number of each class of Share under the Tender Offers, those Ordinary Shareholders who do not tender their Shares will be diluted by up to 2.1 per cent. of Net Asset Value.

RISK FACTORS

The Company's business, financial condition, performance, prospects, operating results and/or share price could be materially and adversely affected by any of the risks described below. If any of the adverse events described below actually occur, investors may lose all or part of their investment.

In addition to the other information set out in this document, the risks described below should be carefully considered by investors and prospective investors prior to making any investment decision relating to the Shares. The risks set out below are those risks which the Directors consider to be material as at the date of this document, but should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties which are not presently known to the Directors or that the Directors currently consider to be immaterial, may also have an adverse effect on the Company's business, financial condition, performance, prospects, operating results and/or the share price of the Company.

Investors may lose a substantial proportion or even all of their investment in the Company. If investors are in any doubt as to the consequences of their acquiring, holding or disposing of Shares, or whether an investment in the Company is suitable for them in the light of information in, or incorporated by reference into, this document or their personal circumstances including the financial resources available to them, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, in the case of investors outside the United Kingdom, another appropriately authorised independent financial adviser.

1. Impact of the Proposals

- 1.1 Following the implementation of the Proposals, the Company's issued share capital will be revised to reflect the number of Ordinary Shares and ZDP Shares successfully tendered and the number of Ordinary Shares and ZDP Shares purchased under the Matching Purchase Facility and the Placing. Dependant upon the number of Ordinary Shares and ZDP Shares repurchased under the Tender Offers, the number of Ordinary Shares and ZDP Shares matched under the Matching Purchase Facility and the number of New Shares issued through the Placing, the overall number of Shares in issue may rise or fall and the pool of assets attributable to the Shares may remain static, rise or fall.
- 1.2 To the extent that the Company issues the maximum number of New Shares under the Placing, based on the Net Asset Value of the Ordinary Shares as at 18 November 2009 (the latest practicable date prior to publication of this document) the existing Ordinary Shareholders will be diluted by up to 3.4 per cent. of Net Asset Value.
- 1.3 To the extent that the Company repurchases the maximum number of Shares under the Tender Offers, those Ordinary Shareholders who do not tender their Shares will be diluted by up to 2.1 per cent. of Net Asset Value.
- 1.4 In the event that insufficient numbers of applications for Ordinary Shares are made under the Matching Purchase Facility and the Placing, Ordinary Shareholders who wish to sell up to 40 per cent. or more of their holding may be scaled back and may not be able to sell all the Shares tendered under the Ordinary Share Tender Offer.

2. Shares

Share Generally

- 2.1 The value of the Shares and, in the case of the Ordinary Shares, income derived from them (if any) can go down as well as up. There is no guarantee that the market price of the Shares will fully reflect their underlying Net Asset Value.
- 2.2 Investment in the Company should be regarded as long term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back

the full value of their original investment. Due to the potential difference between the middle-market price of the Shares and the price at which Shares can be sold, there is no guarantee that the realisable value of the Shares will reflect their market price.

Ordinary Shares

- 2.3 The Ordinary Shares are geared by the Company's structure and should therefore be regarded as carrying above average risk. The Ordinary Shareholders will be entitled to all income of the Company after fees, expenses and tax resolved to be distributed and to all accumulated but unpaid revenue reserves. Dividend growth from the Ordinary Shares will depend on growth in the Company's income from its portfolio of investments. The Net Asset Value of the Ordinary Shares will be determined by the performance of the Company's portfolio as geared by the capital entitlement of the ZDP Shares. Ordinary Shareholders will benefit from any out-performance and will suffer any under-performance in respect of the performance of the Company's portfolio relative to the accrual rate of the ZDP Shares.
- 2.4 Any change in the tax treatment of dividends paid or income received by the Company may reduce the dividends paid to the holders of the Ordinary Shares.
- 2.5 A reduction of income from the Company's investments would adversely affect the yield on the Ordinary Shares. Such a reduction could arise, for example, from lower rates of dividend or interest paid on investments. Falls in the value of its investments could result in cuts in dividends paid by the Company.
- 2.6 Owing to the high yield nature of certain of the Company's existing and intended investments, the share prices of such investments in the Company's portfolio could be adversely affected by a change in the market sentiment or a general rise in interest rates.
- 2.7 Ordinary Shares are only an appropriate investment for potential investors who understand that, on the Planned Winding Up Date (or, if the Proposals are implemented, the Revised Winding Up Date), they may receive an amount less than the price paid for their Shares and that, if there is insufficient growth in the gross assets of the Company, they may receive no distribution at all at the Planned Winding Up Date (or if the Proposals are implemented, the Revised Winding Up Date).
- 2.8 If based on the Assumptions set out in Part 9, and based on the highest GRY of the ZDP Shares following the Proposals, the gross assets do not rise by 4.81 per cent. per annum, until the Revised Winding Up Date, holders of Ordinary Shares will receive less than the purchase price for the Ordinary Shares.

ZDP Shares

- 2.9 The factors affecting the value of the Company's investments under the heading "*Ordinary Shares*" above are also relevant to the ZDP Shares.
- 2.10 The market values of the ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to reductions in the market value of the ZDP Shares.
- 2.11 The holders of Ordinary Shares are entitled to all the net revenue profits (including accumulated but unpaid revenue reserves) of the Company on a winding up (or an equivalent capital amount (after payment of the Company's liabilities) in the event that the Company is not entitled to pay dividends) in priority to the capital entitlement of the holders of ZDP Shares even in circumstances where the Company has insufficient assets to pay the final capital entitlement of the ZDP Shares and the Company may continue to pay dividends in circumstances where the ZDP Shares are uncovered or where the holders of ZDP Shares have little or no prospect of receiving their final capital entitlement.

Although the holders of ZDP Shares have a prior entitlement to the other assets of the Company (after payment of its liabilities) on a winding up, if, on the basis of the Assumptions set out in Part 9, and based on the highest GRY of the ZDP shares following the Proposals, the gross assets of the Company fall at a rate of more than 3.07 per cent. per annum over the planned life of the Company, this would

result in a lower payment than their pre-determined fixed capital entitlement on the Revised Winding Up Date in the event that the Proposals are approved by Shareholders at the Shareholder Meetings. ZDP Shares are not a protected or guaranteed investment.

Should the Proposals be implemented and the Company be wound up prior to the Revised Winding Up Date, holders of ZDP Shares would only receive their accrued entitlement to the date of the winding up. This would be less than the final capital entitlement.

- 2.12 The accrual rate of the ZDP Shares will not be fixed until the Calculation Date and therefore both the hurdle rate and the gross redemption yield for the ZDP Shares and the Ordinary Shares may vary from the figures used in the Assumptions set out in Part 9.

3. Risks relating to the Shares if a Shareholder chooses to participate in the Tender Offers

- 3.1 Shareholders should be aware that past performance is not necessarily indicative of likely future performance. The price of the Shares may increase going forward and a Shareholder, to the extent he or she participates in the Tender Offers, will lose the benefit of any such gains.
- 3.2 The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors. Investors should have regard to the information in relation to the terms and conditions of the Tender Offers and the information in relation to taxation set out in Part 8 and should seek their own advice on their tax position.
- 3.3 Shareholders who successfully tender their Shares pursuant to the Tender Offers will be paid in pounds sterling. Overseas Shareholders will therefore bear any associated exchange rate risks.
- 3.4 Shareholders may choose to tender up to their entire holding of Shares under the Tender Offers (subject to the overall limit in aggregate of 40 per cent. of the issued Ordinary Share capital and 40 per cent. of the issued ZDP Share capital in each case at the Record Date (and after matching tenders with applications for Shares under the Matching Purchase Facility and Placing)) but will be subject to scaling in the event that scaling is required to achieve the Relevant Proportion. As a consequence, Shareholders may not have their tenders accepted in relation to the full number of Shares tendered under the Tender Offers and may be subject to scaling back in the event that large numbers of Shares are tendered.

4. Structural Conflicts of Interest

- 4.1 The different rights and expectations of the two share classes may give rise to conflicts of interest between them. Holders of ZDP Shares can be expected to have little or no interest in the revenue produced by the Company's portfolio save to the extent that the Company's operating costs exceed that revenue. Those ZDP Shareholders can be expected to want the capital value of the Company's portfolio to be sufficient to repay the final capital entitlement of the ZDP Shares on the Planned Winding Up Date, but can be expected to have little or no interest in any growth in capital in excess of that amount. Conversely, holders of Ordinary Shares can be expected to be interested in both the revenue that the Company's portfolio produces (and hence the level of dividends which will be capable of being paid on the Ordinary Shares) and increases in the capital value of the Company's portfolio in the period to the Planned Winding Up Date, in excess of the final capital entitlement of the ZDP Shares (since this will form the basis of the capital entitlement of the Ordinary Shares).
- 4.2 In certain circumstances, such as a major fall in the capital value of the Company's portfolio such that the final capital entitlement of the ZDP Shares is significantly uncovered but where the Company's portfolio is still generating revenue, the interests of ZDP Shareholders and the Ordinary Shareholders may conflict. The ZDP Shareholders may wish the portfolio to be re-balanced or more revenue to be retained in order to meet their final capital entitlement whilst the Ordinary Shareholders may recognise that they then have little prospect of a sizeable capital return and so may be more concerned with maximizing dividends in the period to the Planned Winding Up Date. In such circumstances, the Directors may find it impossible to meet fully both sets of expectations and so will need to act in a

manner which they consider to be fair and equitable to all classes of Shareholders but having regard to the entitlements of each class of Shares under the Articles.

5. Investment Objective

There is no guarantee that the investment policy adopted by the Company will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objective.

6. Discount

The discount to NAV at which the Shares may trade is determined by a number of factors over which the Board has no control. While the Board intends to manage the discount, the ability of the Board to do so is dependent on, *inter alia*, the ability to purchase Shares in the market, maintaining the Relevant Proportion, the ability to fund any Share buybacks, the authority to buy back Shares being renewed annually, and the Board's absolute discretion over the making and timing of any buybacks.

7. Dividends

While it is the intention of the Directors to pay dividends to Ordinary Shareholders, the ability of the Company to pay any dividends in respect of the Ordinary Shares will depend primarily on the level of income received from its investments and the timing of receipt of such income by the Company. The Company will only pay dividends to the extent that it has profits available for that purpose. Accordingly, the amount of any dividend paid to Ordinary Shareholders may fluctuate and there is no certainty that the dividend objective will be achieved. Any change in the tax or accounting treatment of dividends or other investment income received by the Company may also reduce the level of yield received by Ordinary Shareholders.

8. Energy and Water Sectors

- 8.1 The companies in which the Company will invest are, in general, exposed to a higher level of political and regulatory risk, than companies in the stock market as a whole. In certain countries, the utilities regulatory framework is still developing and/or significantly changing and anticipated market liberalisation may not take place or may take place more slowly than anticipated with the result that the opportunities for the Company to invest may be more limited. The existing dominant market position of some utility companies may be eroded as their sectors are exposed to greater competition as a result of regulatory steps.
- 8.2 The Company may invest in newly privatised companies or companies which subsequently become privatised and this may involve additional risks relating to the capital structures of such companies.
- 8.3 Utilities companies are frequently subject to environmental pressure and/or legislation. New or changed environmental pressure and/or legislation or failure to comply with new or existing environmental requirements may adversely affect the performance of such companies.

9. Derivatives

No assurance can be given that any hedging strategies which may be used by the Company will be successful under all or any market conditions.

10. Other investment types

- 10.1 The Company may invest in non-investment grade bonds or other debt securities. These are subject to credit, liquidity and interest rate risks. Adverse changes in the financial position of an issuer of such securities or economic conditions generally may impair the ability of the issuer to make payments of interest or principal and may cause the insolvency of the issuer.
- 10.2 The Company may invest up to 15 per cent. of its gross assets (at the time of investment) in unlisted and unquoted securities. These types of securities are generally subject to higher valuation uncertainties and liquidity risks than securities listed or traded on a regulated market.

11. General Investment Risks

- 11.1 Changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, political and diplomatic events and trends and tax laws, environmental laws and other factors can substantially and either adversely or favourably affect the Company's prospects and the value of the Company's investment portfolio.
- 11.2 To the extent that the Company may invest in securities listed on recognised stock exchanges such investments will be subject to normal market fluctuations and the risks inherent in the purchase, holding or selling of securities, and there can be no assurance that appreciation in the value of those investments will occur. Investment in certain asset classes in which the Company may invest may involve a greater degree of risk than that usually associated with investment in equity securities markets.
- 11.3 Although the Company does not intend currently to use derivative products or use derivative strategies with its portfolio, it has reserved the right to do so for efficient portfolio management. Were it to do so, in the event of adverse market movements this may result in the Company being exposed to the full value of such negative movements.
- 11.4 Investment in higher yielding securities may provide greater total return than investment in higher-rated, interest-bearing securities, but it also entails greater risk. In addition, market prices of higher yielding securities generally fluctuate more than market prices of higher-rated, interest-bearing securities. There is often limited market liquidity in higher yielding securities, which means that it may not be possible to realise such investments quickly and there is no guarantee that such investments can be realised at their stated bid prices.

12. Foreign Exchange Risks

Certain of the Company's investments will be in securities which are not denominated or quoted in Sterling, the base currency of the Company. The movement of exchange rates between Sterling and any other currencies in which the Company's investments are denominated may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company. Whilst the Company does not currently intend to employ any active currency hedging arrangements, any hedging arrangements relating to foreign currency returns and exposures may or may not have the desired effect.

13. Fund Managers

- 13.1 There can be no guarantee that any individual fund manager referred to in this document will remain with the Investment Manager. The departure of a key fund manager may have an adverse affect on the performance of the Company. There can be no assurance that if the Investment Manager resigns, the Directors will find a replacement.
- 13.2 The individual fund managers may allocate a portion of their time to other businesses which could have a negative impact on the Company's ability to meet its investment objectives.

14. Taxation

- 14.1 In order to qualify as an investment trust, the Company must comply with Section 842 of the Income and Corporation Taxes Act 1988 ("**Section 842**"). A breach of Section 842 may cause the Company to lose investment trust status and, as a consequence, any capital gains within the Company's portfolio may be subject to tax.
- 14.2 Any change in the Company's tax status or in taxation legislation (including the tax treatment of dividends or other investment income received by the Company) could affect the value of the investments held by the Company and the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.
- 14.3 The Company may purchase investments that may be subject to exchange controls or withholding taxes in the relevant jurisdiction. In the event that exchange controls or withholding taxes are imposed

with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company from its investments and/or the capital value of the affected investments.

- 14.4 Any change in the capital gains tax regime, operated in the United Kingdom may adversely affect Shareholders upon a disposal of their interest in the Company.
- 14.5 Any individuals holding Ordinary Shares who are contemplating tendering any of their Ordinary Shares should consider the comments in respect of Chapter 1 of Part 13 to the Income Tax Act 2007 in paragraph 2.1 of Part 8 of this document.

15. Accounting Practice

- 15.1 Any change in accounting practice could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.
- 15.2 The Directors will charge an element of the expenses of managing the Company to the Company's capital account. In the absence of capital growth in the Company's assets in excess of the aggregate value of such fees and costs charged to the capital account, this practice will result in a diminution in the Company's capital account. However, this practice will also, all other things being equal, result in the short term in an increased amount of net revenue available for distribution to Ordinary Shareholders.

16. Legal and Regulatory

- 16.1 The Company is also subject to the laws and regulation of the United Kingdom and in particular the Listing Rules, the Prospectus Rules, the Disclosure and Transparency Rules, the Combined Code and the AIC Code of Corporate Governance. Any breach of such laws and regulation could result in the Company and/or the Directors being fined or the subject of criminal proceedings.
- 16.2 The European Commission has published a draft Alternative Investment Fund Managers Directive designed to regulate private equity and hedge funds. However, as currently drafted the Directive would have significant consequences for the Company (and all similar investment companies) which might include a requirement for a major restructuring and/or materially increased compliance and regulatory costs. The Directive is subject to consultation and potential revision and redrafting, so the final text remains uncertain and it is not expected to come into effect until the second half of 2010 at the earliest. The Board and the Company's advisers will continue to monitor the progress and likely implication of the Directive.

17. General

- 17.1 The Company's portfolio is constructed without reference to any stockmarket index. It is therefore likely that there will be periods when its performance will be quite unlike that of any index and there can be no assurance that such divergence will be wholly or even primarily to the Company's advantage. The Shares are an unsuitable investment for those who seek investments that are in some way correlated to a stockmarket index.
- 17.2 The past performance of the Company and of investments which are referred to in this document are for illustrative purposes only and should not be interpreted as an indication, or as a guarantee, of future performance.

PRESENTATION OF FINANCIAL INFORMATION AND GENERAL INFORMATION

Presentation of Financial Information

Unless otherwise indicated, financial information for the Company in this document has been extracted without material adjustment from the annual report and accounts for the years ended 31 December 2008, 31 December 2007 and 31 December 2006 respectively and the interim report and accounts for the six month periods to 30 June 2009 and 30 June 2008 respectively, in each case prepared in accordance with UK GAAP and the Association of Investment Companies Statement of Recommended Practice. For further information, see “*Basis of Accounting*” on page 38 of the Annual Report and Accounts 2008, or page 15 of the interim report and accounts for the six month period ended 30 June 2009, in each case such page being incorporated into this document by reference.

No Profit Forecast

No statement in, or incorporated by reference into, this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company.

Rounding

Certain figures included in this document and in the information incorporated by reference into this document have been subject to rounding adjustments. Accordingly, discrepancies in tables between the totals and the sums of the relevant amounts may be due to rounding.

Websites

Neither the content of the Company’s website (or any other website) nor the content of any website accessible from hyperlinks on the Company’s website (or any other website) is incorporated into, or forms part of, this document.

Time and Date

All references in this document to times are to UK times unless otherwise stated. The dates set out in the expected timetable on page 19 and mentioned throughout this document may be adjusted by the Company in which event details of the new dates will be notified to the FSA, to the London Stock Exchange and, where appropriate, to Shareholders.

Exchange rate

Unless the context otherwise requires, references to amounts stated in both RMB (or Chinese Yuan Renminbi) and Sterling are calculated using an exchange rate of RMB11.46 per £1.00, being the RMB/Sterling exchange rate published by Bloomberg on 18 November 2009.

Forward looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may or may not occur. A number of factors could cause actual results and

developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the facts described in the risk factors section of the document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Company's view with respect to future events as at the date of this document and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's operations and strategy. Save as required by applicable law, or any UK or EU regulatory requirements (including the Prospectus Rules, the Listing Rules and the Disclosure and Transparency Rules) the Company is under no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

Notwithstanding the foregoing, nothing contained in this document shall in any way be taken to qualify the working capital statement contained in paragraph 8 of Part 7 of this document.

ACTION TO BE TAKEN

ZDP SHAREHOLDERS

To vote:

At the Class Meeting of ZDP Shareholders



Complete the Pink Form of Proxy or send a CREST electronic proxy

At the General Meeting



Complete the White Form of Proxy or send a CREST electronic proxy

To tender under the ZDP Share Tender Offer:

Certificated holders



Complete the enclosed Yellow ZDP Share Tender Form specifying the amount you wish to tender should the GRY of the ZDP Shares following implementation of the Proposals be below a certain level

Uncertificated holders



Submit a TTE Instruction specifying the amount you wish to tender should the GRY of the ZDP Shares following implementation of the Proposals be below a certain level

To remain invested in the Company:

To remain invested in the Company at any GRY of the ZDP Shares within the range specified on page 26 of this document



Do NOT complete the ZDP Share Tender Form or submit a TTE Instruction

ORDINARY SHAREHOLDERS

To vote:

At the Class Meeting of Ordinary Shareholders	➔	Complete the Blue Form of Proxy or send a CREST electronic proxy
At the General Meeting	➔	Complete the White Form of Proxy or send a CREST electronic proxy

To tender under the Ordinary Share Tender Offer:

Certificated holders	➔	Complete the enclosed Green Ordinary Share Tender Form specifying the number of Ordinary Shares you wish to tender
Uncertificated holders	➔	Submit a TTE Instruction specifying the number of Ordinary Shares you wish to tender

To remain invested in the Company:

To remain invested in the Company	➔	Do NOT complete the Ordinary Share Tender Form or submit a TTE Instruction
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SHAREHOLDERS WHO WISH TO INVEST FURTHER IN THE COMPANY:

To invest further in Ordinary Shares	➔	Complete the enclosed Beige Ordinary Share Purchase Form specifying the amount you wish to invest and send a cheque to Capita Registrars in respect of the stated amount
To invest further in ZDP Shares	➔	Complete the enclosed Grey ZDP Share Purchase Form specifying the amount you wish to invest for each of the potential GRYS of the ZDP Shares and send a cheque to Capita Registrars in respect of the highest possible amount

SHAREHOLDERS WHO ARE INSTITUTIONAL CLIENTS OF J.P. MORGAN CAZENOVE ONLY:

Shareholders who are institutional clients of J.P. Morgan Cazenove only	➔	Apply under the Placing
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ILLUSTRATIVE ISSUE STATISTICS

ZDP SHARE STATISTICS

ZDP Share Tender Price				156p
Net Asset Value per ZDP Share at the Effective Date				151.39p
Life remaining as at Effective Date				6 years
Gross redemption yield at the ZDP Share Tender Price ⁽²⁾	4%	5%	6%	7%
Final capital entitlement at the Revised Winding Up Date	197.69p	209.45p	221.78p	234.72p
Final Cover ⁽³⁾	1.46	1.38	1.31	1.24
	times	times	times	times
Hurdle Rate ⁽⁴⁾	-6.08%	-5.22%	-4.36%	-3.50%

ORDINARY SHARE STATISTICS

Indicative Tender Price and Purchase Price ⁽⁵⁾				174.56p
Hurdle Rate to receive Ordinary Share Tender/ Purchase Price at the Revised Winding Up Date based on the following ZDP gross redemption yields:	4%	5%	6%	7%
	2.76%	3.33%	3.92%	4.51%
Gearing of Ordinary Share immediately following Tender Offers				1.99 times
Estimated yield on Tender Price/Purchase Price				6%

Notes:

- (1) The tables above set out illustrative returns, which do not constitute forecasts and are calculated on the basis of the Assumptions set out in Part 9. Further illustrations are set out in Part 2 of this document.
- (2) The gross redemption yield will be determined by the Company following receipt of tender elections under the Tender Offers and applications received under the Matching Purchase Facility and the Placing. Further details on this are set out in Part 3 of this document.
- (3) The ratio that (1) the aggregate value of the Company's assets less liabilities following the transaction bears to (2) all ZDP Shareholders, including the Final Capital Entitlement of the ZDP Shares due on the Revised Winding Up Date, and any management fees charged to capital.
- (4) The rate of annual fall in gross assets (after deduction of all expenses charged to capital but prior to any expenses of liquidation) permitted for the Final Capital Entitlement per ZDP Share to be met in full on the Revised Winding Up Date.
- (5) As at 18 November 2009.

The figures set out above are provided for illustrative purposes only, do not represent forecasts and are described in more detail in Part 2. They are based on unaudited financial information from management accounting information provided by the Investment Manager. These illustrative returns have been calculated using, and should be read in conjunction with, the Assumptions set out in Part 9. The attention of prospective investors is also drawn to the risk factors set out on pages 8 to 13.

EXPECTED TIMETABLE

<i>Event</i>	<i>Time and/or Date 2009</i>
Ex-dividend Date	2 December
Dividend Record Date	4 December
Last time and date for receipt of Premier ISA Scheme Application Forms	3.00 p.m. on 7 December
Last time and date for receipt of Purchase Forms under the Matching Purchase Facility	1.00 p.m. on 10 December
Last time and date for receipt of Premier ISA Scheme Tender Forms	12.00 noon on 14 December
Last time and date for receipt of Forms of Direction for Shareholders in the Premier ISA Scheme	3.00 p.m. on 14 December
Last time and date for receipt of Tender Forms and TTE Instructions	1.00 p.m. on 15 December
Tender Offer Record Date	5.00 p.m. on 15 December
Last time and date for receipt of Forms of Proxy for:	
(a) Class Meeting of ZDP Shareholders	10.00 a.m. on 16 December
(b) Class Meeting of Ordinary Shareholders	10.15 a.m. on 16 December
(c) General Meeting	10.30 a.m. on 16 December
Last time and date for receipt of applications under the Placing	3.00 p.m. on 17 December
Calculation Date for Tender Offers	5.00 p.m. on 17 December
Class Meeting of ZDP Shareholders	10.00 a.m. on 18 December
Class Meeting of Ordinary Shareholders	10.15 a.m. on 18 December ⁽²⁾
General Meeting	10.30 a.m. on 18 December ⁽³⁾
Announcement of Tender Price for Ordinary Shares, results of Tender Offers, Gross redemption yield, and Final Capital Entitlement for ZDP Shares, and results of Matching Purchase Facility and Placing	by 2.00 p.m. on 18 December
Ordinary Shares and ZDP Shares purchased by J.P. Morgan Cazenove pursuant to the Tender Offers	18 December
Admission of the New Shares to the Official List and dealings in New Shares commence	8.00 a.m. on 23 December
Settlement of Matching Purchase Facility and Placing proceeds and CREST accounts credited in respect of Shares purchased under the Matching Purchase Facility and Placing	23 December
CREST accounts credited with proceeds of the Tender Offers, balances of unsold Ordinary Shares and ZDP Shares held in uncertificated form and New Shares	23 December
Certificates despatched in respect of Shares purchased under the Matching Purchase Facility and Placing, and in respect of New Shares issued	on or around 29 December
Cheques despatched in respect of proceeds of the Tender Offers and balance certificates despatched in respect of unsold Ordinary Shares and ZDP Shares held in certificated form	29 December
Date for payment of dividend	31 December

Notes:

- (1) References to times above and in this document generally are to London times unless otherwise specified.
- (2) If later, immediately following the conclusion of the Class Meeting of ZDP Shareholders.
- (3) If later, immediately following the conclusion of the Class Meeting of Ordinary Shareholders.

DIRECTORS, MANAGER AND ADVISERS

Directors

Geoffrey Burns (*Chairman*)
Adam Cooke (*Non-Executive Director*)
Ian Graham (*Non-Executive Director*)
Michael Wigley (*Non-Executive Director*)
all of Eastgate Court, High Street, Guildford, Surrey, GU1 3DE

Investment Manager

Premier Fund Managers Limited
Eastgate Court
High Street
Guildford
Surrey
GU1 3DE

Company Secretary and Registered Office

Premier Asset Management Limited
Eastgate Court
High Street
Guildford
Surrey
GU1 3DE
01483 30 60 90

Sponsors and Financial Adviser

J.P. Morgan Cazenove Limited
20 Moorgate
London
EC2R 6DA

Solicitors to the Company

Maclay Murray & Spens LLP
One London Wall
London
EC2Y 5AB

Solicitors to the Sponsor and Financial Adviser

Ashurst LLP
Broadwalk House
5 Appold Street
London
EC2A 2HA

Auditors and Reporting Accountants

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Receiving Agents

Capita Registrars
Corporate Actions
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
West Yorkshire
HD8 0LA

PART 1

LETTER FROM THE CHAIRMAN

PREMIER ENERGY AND WATER TRUST PLC

*(incorporated in England and Wales under the Companies Act 1985 with registered number 4897881)
(An investment company under section 833 of the Companies Act 2006)*

Directors:

Geoffrey Burns (*Chairman*)
Adam Cooke
Ian Graham
Michael Wigley

Registered Office:

Eastgate Court
High Street
Guildford
Surrey
GU1 3DE

24 November 2009

To Ordinary Shareholders and ZDP Shareholders

Dear Shareholder,

Extension of the life of the Company, Tender Offers, Matching Purchase Facility and Placing, adoption of New Articles of Association and Notices of Meetings

Introduction

Your Board today announced proposals relating to the extension of the life of the Company beyond 31 December 2010.

The Proposals include the amendment of the terms of the ZDP Shares and the implementation of the Tender Offers which will enable Shareholders who do not wish to continue in the Company to realise part, and possibly all, of their investment in the Company. The Tender Offers are being made available, in aggregate, in respect of up to 40 per cent. of the Ordinary Shares and 40 per cent. of the ZDP Shares in issue.

Concurrently with the Tender Offers, the Directors have arranged for J.P. Morgan Cazenove to operate a Matching Purchase Facility pursuant to which Shareholders may purchase additional Shares tendered under the Tender Offers. J.P. Morgan Cazenove has also agreed to place Shares with its institutional clients (other than from certain overseas jurisdictions) to the extent they are available through tenders made under the Tender Offers and not taken up under the Matching Purchase Facility. Any surplus applications for Shares under the Placing will be met by the issue of New Shares. The Tender Offers, Matching Purchase Facility and issue of New Shares are subject to any scaling back required to maintain a balanced capital structure, further details of which are set out below.

The purpose of this document is to provide you with details, and explain the benefits, of the Proposals which are conditional, *inter alia*, on the approval by Shareholders of the Resolutions to be proposed at the Shareholder Meetings, all of which have been convened for 18 December 2009. The notices convening the relevant Shareholder Meetings are set out on pages 107 to 113 of this document and your Board is recommending Shareholders to vote in favour of the Resolutions to be proposed at such meetings.

None of the Directors will be tendering Shares in the Tender Offers, and the Directors intend to apply for an investment in aggregate of £73,000 in Ordinary Shares (including non-beneficial holdings) under the Matching Purchase Facility. However, the Directors are making no recommendation to Shareholders as to whether or not they should tender Shares in the Tender Offers or apply to purchase Shares in the Matching Purchase Facility. Whether or not Shareholders decide to tender Shares or participate in the Matching Purchase Facility will depend, among other things, on their view of the Company's prospects and their own individual circumstances, including their tax position, on which they should seek their own independent advice.

Whether or not Shareholders decide to tender Shares and/or participate in the Matching Purchase Facility, Shareholders are encouraged to complete and return the enclosed Forms of Proxy as applicable or, for uncertificated holders, use the CREST electronic proxy appointment service, for use at the Shareholder Meetings to approve the Proposals.

Background to, and Reasons for, the Proposals

The Company had total assets of approximately £61 million as at 18 November 2009 (being the latest practicable date prior to the publication of this document), an increase of approximately 71 per cent. since launch (adjusting for the repurchase of Ordinary Shares made in November 2003).

The Company was launched in 2003 as a successor company to LeggMason Investors International Utilities Trust PLC, with total assets of £36.8 million. The ZDP Shares were issued with a redemption yield of 7.0 per cent. and a fixed life that ends on 31 December 2010. Total net dividends paid to date are 38.875 pence per Ordinary Share. Under the Company's Articles of Association, the Directors are obliged to put a winding up proposal to Shareholders on 31 December 2010.

The Company's performance from launch on 3 November 2003 to 18 November 2009 (being the latest practicable date prior to the publication of this document) has been as follows:

	%
Ordinary Share price total return	110.7
Ordinary Share NAV total return	134.8
ZDP Share price total return	54.0
FTSE 100 total return	54.1

Source: Datastream, unaudited

In light of the performance of the Company to date and following discussions with a number of Shareholders who have indicated a desire to remain invested in the Company, your Board has been considering proposals which involve the extension of the life of the Company beyond the scheduled winding up date in 2010, as well as providing an opportunity for a partial, or possibly full, exit for those Shareholders who wish to do so. The Board is also aware that certain Shareholders may wish to increase their investment in the Company and that new investors might wish to gain exposure to the Company. Accordingly, the Board has arranged with J.P. Morgan Cazenove to operate the Matching Purchase Facility and make available the Placing concurrently with the Tender Offers. Any surplus applications for Shares under the Placing will be satisfied by the issue of up to 18,000,000 New Ordinary Shares and up to 20,000,000 New ZDP Shares.

Summary of the Proposals

The Board is seeking Shareholders' approval for the Proposals, which in summary comprise:

- the extension of the life of the Company to 31 December 2015 by releasing the Directors of the Company from the obligation to put forward winding up proposals on 31 December 2010;
- a revision of the rights attaching to the ZDP Shares, such that their life will continue until 31 December 2015 and their yield to redemption will also be changed;
- effecting the Tender Offers for Ordinary Shares and ZDP Shares;
- operating a Matching Purchase Facility to enable Shareholders to purchase Shares tendered under the Tender Offers;
- making available a Placing of (i) Shares tendered under the Tender Offers and not taken up under the Matching Purchase Facility, and (ii) New Shares to J.P. Morgan Cazenove's institutional clients to the extent that more Shares are required to satisfy demand under the Placing than are available following the Tender Offers and take-up under the Matching Purchase Facility; and
- amending the Articles of Association to accommodate the new rights attaching to the ZDP Shares and to make various changes to reflect final implementation of the 2006 Act.

Benefits of the Proposals

Your Board believes that the Proposals will result in the following principal benefits:

- a London listed closed-ended investment trust for those Shareholders who wish to continue their investment beyond 2010;
- an opportunity for Shareholders to remain invested and delay crystallisation of any charge to UK capital gains tax until 2015;
- an opportunity for Shareholders (other than Excluded Overseas Shareholders) to realise up to 40 per cent., and possibly more, of their investment in the Company at a discount to NAV of 5 per cent. as at the Calculation Date (in the case of Ordinary Shareholders), and at a price of 156 pence representing a premium to NAV of 3 per cent. at the Calculation Date (in the case of ZDP Shareholders);
- offering existing Shareholders the opportunity to increase their investment in the Company through the Matching Purchase Facility and, where institutional clients of J.P. Morgan Cazenove, the Placing; and
- introducing new investors to the Company through the Placing.

Investment outlook and market opportunity

The water, power, gas distribution and infrastructure markets are amongst the largest industries in the world. They provide essential services to individuals, industry, businesses and the public sector. Utility companies generally have predictable cash flows and secure business franchises which provide them with a level of protection in an economic downturn and, at the same time, position them for growth as economic activity picks up.

The perceived principal drivers of change in those markets are set out below and will continue to be the basis for investment opportunities in the future:

- Ongoing liberalisation of utility markets;
- The need for capital to replace ageing or outdated infrastructure;
- Future capacity shortages despite the recession;
- Environmental considerations in the light of climate change;
- Growth in demand for energy and water; and
- A growing focus on national and regional energy security.

Over the past several decades electricity markets around the world have developed albeit with the pace of liberalisation progressing at varying speeds. These markets have developed against a background of shifting growth patterns of energy use towards the non-OECD region, which overtook that of the OECD in 2005. The region is now forecast to account for 87 per cent. of the increase in world primary energy demand between 2006 and 2030, with China and India expected to account for just over half of this increase. Meanwhile, the mix of generating plants being built to meet these demand shifts is influenced by government policies on energy security and the reduction of carbon emissions. Both factors are likely to continue to encourage a revival in nuclear power as a sustainable energy source, alongside the growth in renewable energy, and both will in turn necessitate significant additional expenditure in the upgrading and extension of electricity grids throughout the world.

The United Nations Climate Change Conference, to be held in Copenhagen in December 2009, is the designated opportunity to negotiate a new global climate change policy post-2012, to follow the Kyoto Protocol. The energy sector, responsible for a large proportion of global greenhouse gas emissions, will play a central role in curbing emissions, through improvements in efficiency, switching to renewables, and other

low carbon technologies. As renewable technologies mature, their falling costs, together with strong policy support and assumed higher fossil-fuel prices, should provide the opportunity for the renewables industry to eliminate its reliance on subsidies and bring emerging technologies into the mainstream.

The increasing demand for water is driven by population growth, urbanisation, industrialisation and intensive agriculture. In developed economies, ageing infrastructure is a key issue. In the United States, for example, the Environment Protection Agency estimated in 2003 that it would take almost US\$277 billion to maintain the water distribution system in the US over the next 20 years. Much of the projected expenditure is the product of deferred maintenance, inadequate capital replacement, and a generally ageing infrastructure. In addition, populations are increasing and shifting geographically, thus requiring investment in existing or new infrastructure. Despite the economic downturn, rapid urbanisation and industrialisation in Asia have significantly increased demands on water and wastewater treatment systems. Economic growth in China and other emerging Asian economies is expected to continue significantly to outpace those of developed nations. China is leading the growth of water treatment, and its eleventh five year plan (2006–2010) contains a commitment that the Chinese government will invest RMB143 billion (approximately £12.5 billion) in urban water supply and a further RMB 330 billion (approximately £28.8 billion) in wastewater treatment.

The Proposals

Extension of the life of the Company

In order to facilitate the return of capital due to ZDP Shareholders in 2010, the Company's Articles of Association require the Directors to put proposals to Shareholders on 31 December 2010 to wind up the Company voluntarily unless previously released from their obligation to do so. In order to proceed with the Proposals, the Directors are therefore proposing to extend the life of the Company by a further five years to 31 December 2015 and are seeking to be released from the obligation to put such winding up proposals to Shareholders in 2010 by proposed changes to the Articles of Association. Accordingly, subject, *inter alia*, to Shareholder approval, the Directors are proposing that amendments be made to the Articles to extend the date upon which winding up proposals are to be put to the Company's Shareholders to 31 December 2015. The Articles will also be amended to include a number of consequential amendments to the terms of the ZDP Shares and certain changes following the final implementation of the 2006 Act, further details of which are set out in the paragraphs headed "*Amendment to terms of existing ZDP Shares*" and "*New Articles of Association*" below and in Parts 10 and 11 of this document.

Amendment to terms of existing ZDP Shares

In addition to the extension of the Company's life, the Proposals include the amendment of the rights attaching to the ZDP Shares by extending their life, revising the protections afforded to ZDP Shares in the Articles to a level of cover of 1.5 times and revising their redemption yield in order to align it with current market rates. Under the Proposals, the gross redemption yield on the ZDP Shares will accrue at a rate per annum to be determined by the Directors.

Following the setting of the gross redemption yield referred to below, the gross redemption yield will be set at the level which reflects the GRY at which (having regard to tenders of Ordinary Shares and the requirement to maintain a balanced capital structure (see "*Scaling back under the Proposals*" below)) the maximum number of ZDP Shareholders who wish to remain invested in the Company, after taking into account applications for Shares under the Matching Purchase Facility and the Placing. It will therefore be dependent on the extent to which Shareholders choose to exit the Company through the Tender Offers. The proposed GRY rates have been set at intervals of 0.25 per cent. between 4 per cent. and 7.5 per cent. per annum on the proposed ZDP Share Tender Price. For illustrative purposes, in the event that the GRY per ZDP Share is fixed at 6 per cent. per annum on the ZDP Share Tender Price until 31 December 2015, this would produce a final capital entitlement of 221.78 pence per ZDP Share at such date. On the net asset value per ZDP Share of 151.39 pence (as at 17 December 2009, being the Calculation Date under the Proposals), this represents a gross redemption yield of 6.53 per cent.

The revised terms of the ZDP Shares will be contained in the New Articles of the Company to be adopted at the General Meeting. Further details of the rights which will attach to the ZDP Shares following implementation of the Proposals are set out in paragraph 6.2 of Part 11 of this document.

Tender Offers

The Tender Offers are being made by J.P. Morgan Cazenove to Shareholders (other than Excluded Overseas Shareholders) on the Register at the Record Date. Under the Tender Offers, Shareholders are able to tender all or part of their holding of Shares, subject to an overall limit, in aggregate, of 40 per cent. of the issued Ordinary Share capital and 40 per cent. of the issued ZDP Share capital, in each case as at the Record Date, but after matching tenders with applications for Shares under the Matching Purchase Facility and the Placing. Tendens in excess of 40 per cent. of an individual holding of Shares will only be satisfied to the extent that other Shareholders do not tender their Shares of the relevant class (or tender less than 40 per cent. of their holding) and/or there is demand under the Matching Purchase Facility and the Placing. Shareholders do not have to tender any Shares if they do not wish to do so, but once submitted, subject to the Directors' discretion, a Tender Form or TTE Instruction cannot be withdrawn and is irrevocable. Accordingly, Shares tendered under the Tender Offers may not be sold, transferred, charged or otherwise disposed of.

The Tender Offers will be implemented by means of on-market purchases by J.P. Morgan Cazenove, which will, as principal, purchase the Ordinary Shares and the ZDP Shares tendered (subject to the overall limits of the Tender Offers, the Matching Purchase Facility, the Placing and the operation of the scaling back arrangements described below and in Part 3 of this document). The Ordinary Shares and ZDP Shares tendered under the respective Tender Offers (to the extent they are not matched with applications to purchase under the Matching Purchase Facility or purchased pursuant to the Placing) will, subject to the scaling back arrangements described below, then be purchased by the Company from J.P. Morgan Cazenove pursuant to the Repurchase Agreement. The Ordinary Shares and ZDP Shares (if any) which the Company acquires from J.P. Morgan Cazenove will be cancelled and the number of Ordinary Shares and ZDP Shares in issue reduced accordingly. Stamp duty, or stamp duty reserve tax payable in respect of the repurchase of Shares from J.P. Morgan Cazenove by the Company under the Repurchase Agreement will be met by the Company.

The Company will fund the acquisition of Shares purchased under the Repurchase Agreement by realising investments in its investment portfolio and by utilising its distributable reserves. The Company will liquidate part of the current portfolio of assets in order to provide J.P. Morgan Cazenove with sufficient cash by 17 December 2009 to purchase up to 40 per cent. of each class of Shares under the Tender Offers. In the event that J.P. Morgan Cazenove is required to purchase less than 40 per cent. of each class of Shares, then any surplus funds will be paid to the Company and reinvested in accordance with the Company's investment policy as soon as practicable.

Further details on the tender for each class of Shares are set out below:

(a) *Ordinary Share Tender Offer*

Under the Ordinary Share Tender Offer, Ordinary Shareholders (other than Excluded Overseas Shareholders) will be able to tender all or any part of their holdings. As stated above, there is an overall limit under the Ordinary Share Tender Offer of, in aggregate, 40 per cent. of the issued Ordinary Share capital (after matching tenders with applications under the Matching Purchase Facility and the Placing).

The Ordinary Share Tender Offer is being made at a price which represents a 5 per cent. discount to the Net Asset Value per Ordinary Share at the Calculation Date. Further details of the calculation of the Ordinary Share Tender Price are set out in paragraph 4 of Part 5 of this document. Further details on any scaling back under the Ordinary Share Tender Offer are set out in Part 3 of this document.

The attention of Overseas Shareholders is drawn to paragraph 14 of Part 5 of this document.

(b) *ZDP Share Tender Offer*

Under the ZDP Share Tender Offer, ZDP Shareholders (other than Excluded Overseas Shareholders) will be able to tender all or any part of their holdings. As stated above, there is an overall limit under the ZDP Share Tender Offer of, in aggregate, 40 per cent. of the issued ZDP Share capital (after matching tenders with applications under the Matching Purchase Facility and the Placing).

The ZDP Share Tender Offer is being made at a price of 156p, which represents a 3 per cent. premium to the Net Asset Value per ZDP Share at the Calculation Date.

Under the ZDP Share Tender Offer, in order to provide an opportunity for ZDP Shareholders to tender their Shares only if the gross redemption yield on the ZDP Shares is set below a certain level, ZDP Shareholders may elect to tender their Shares by reference to the level at which the gross redemption yield at the ZDP Share Tender Price (being the ZDP Share Purchase Price) is set for the period following implementation of the Proposals. The gross redemption yield on the ZDP Shares following implementation of the Proposals will be determined depending on the extent to which: (i) Shareholders choose to exit the Company through the Tender Offers and (ii) Shareholders and other investors purchase Shares under the Matching Purchase Facility and the Placing. The possible gross redemption yields are 4.0, 4.25, 4.50, 4.75, 5.0, 5.25, 5.50, 5.75, 6.0, 6.25, 6.50, 6.75, 7.0, 7.25 or 7.5 per cent. per annum, in each case based on the ZDP Share Tender Price. ZDP Shareholders should indicate on the Tender Form or within the TTE Instruction the number of Shares they wish to tender if the gross redemption yield is below a certain percentage in the range.

For illustrative purposes, in the event that the GRY per ZDP Share is fixed at 6 per cent. per annum on the ZDP Share Tender Price until 31 December 2015, this would represent a final capital entitlement as at that date of 221.78 pence per share and an accrual rate of 6.53 per cent. per annum from the Net Asset Value per ZDP Share on 17 December 2009 of 151.39p.

All ZDP Shares to be purchased by J.P. Morgan Cazenove under the ZDP Share Tender Offer will be purchased at the same price, being the ZDP Share Tender Price. The gross redemption yield per ZDP Share will be announced on 18 December 2009. Further details on scaling back under the ZDP Tender Offer and how the gross redemption yield will be fixed are set out in Part 3 of this document.

The attention of Overseas Shareholders is drawn to paragraph 14 of Part 5 of this document.

Conditions of the Tender Offers

The Tender Offers are conditional, *inter alia*, on Shareholder approval of the Resolutions to be proposed at the Shareholder Meetings. The conditions are set out in full in paragraphs 3 and 6 of Part 5 of this document. In addition, the Tender Offers may be suspended or terminated in certain circumstances as set out in paragraphs 3, 6 and 12 of Part 5 of this document. The Tender Offers are only available to Shareholders (other than Excluded Overseas Shareholders) on the Register at the Record Date and in respect of their Shares held on the Record Date.

Your attention is drawn to the letter from J.P. Morgan Cazenove in Part 4 of this document and to Part 5 of this document which, together with the Tender Forms, constitute the terms and conditions of each of the Tender Offers.

Full details of how to tender Shares under the Tender Offers are set out in paragraph 8 of Part 5 of this document and also, in the case of certificated shares, in the Tender Forms.

Matching Purchase Facility

The Directors are aware that some Shareholders may wish to increase their investment in the Company and have reviewed with their advisers the options to facilitate such investment. Concurrently with the Tender Offers, the Directors have therefore arranged for J.P. Morgan Cazenove to operate a Matching Purchase Facility whereby Shares tendered under the Tender Offers will be available for purchase at the relevant Purchase Price (plus stamp duty) by Shareholders who wish to increase their investment in the Company. J.P. Morgan Cazenove will also place Shares with its institutional clients (other than from certain overseas jurisdictions) to the extent they are available through tenders, and not taken up under the Matching Purchase Facility, at the relevant Purchase Price (plus stamp duty) under the Placing.

The Matching Purchase Facility and the Placing are each conditional upon the Tender Offers proceeding and Shareholder approval. Shareholders should read the Purchase Forms for further information on the Matching Purchase Facility and details of how to complete the Purchase Forms.

Under the Matching Purchase Facility, Shareholders (other than Excluded Overseas Shareholders) will be able to purchase Shares at the relevant Purchase Price (plus stamp duty) by way of on-market transactions to the extent that there are Shares available to be so purchased through valid tenders. Subject to the scaling back arrangements set out below, Shares purchased by J.P. Morgan Cazenove under the Tender Offers will first be allocated to the Matching Purchase Facility and then to the Placing, and any balance will be repurchased by the Company.

Under the Matching Purchase Facility, Shareholders will be able to select the GRY at which they are prepared to invest further in the ZDP Shares from a range of gross redemption yields between 4.0 per cent. and 7.5 per cent. on the ZDP Share Tender Price at 0.25 per cent. intervals.

Investors will be able to participate in the Matching Purchase Facility if they have acquired Shares prior to the closing date for the Matching Purchase Facility (being 1.00 p.m. on 10 December 2009) and either their name, or the name of their nominee, is on the Register as at 5.00 p.m. on 15 December 2009, being the Record Date.

Further details on the Matching Purchase Facility are set out in Part 3 of this document and the terms and conditions of the Matching Purchase Facility are set out in Part 5 of this document.

Further illustrative return statistics for both the Ordinary Shares and the ZDP Shares following implementation of the Proposals are set out in Part 2 of this document under “*Capital Structure following implementation of the Proposals*”.

Placing

Investors who are not currently Shareholders, as well as Shareholders who are institutional clients of J.P. Morgan Cazenove, will be able to participate in the Placing.

To the extent that more Shares are required to satisfy demand under the Placing than are available following the Tender Offers and the Matching Purchase Facility, then the Company is proposing to issue New Shares to placees, subject to the scaling back arrangements set out below, up to a maximum of 18,000,000 New Ordinary Shares and 20,000,000 New ZDP Shares.

Stamp duty will be payable by placees to the extent that they purchase Shares tendered under the Tender Offers. No stamp duty is payable upon the issue of New Shares.

Ordinary Shares and ZDP Shares tendered and then sold by J.P. Morgan Cazenove to placees under the Placing will be registered in the Register on or around 23 December 2009.

Applications will be made to the UK Listing Authority for the New Shares to be issued under the Placing to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for all the New Shares to be admitted to trading on the London Stock Exchange’s Main Market. It is expected that such admissions will become effective, and that dealings will commence, on 23 December 2009.

The New Shares will be in registered form and may be issued either in certificated or in uncertificated form. No temporary documents of title will be issued. Pending despatch of definitive certificates, transfers of New Shares in certificated form will be certified against the Register. All documents or remittances will be sent through the post at the risk of the Shareholder or new investor.

It is expected that CREST accounts will be credited with New Shares on 23 December 2009, and that share certificates for New Shares will be despatched to Shareholders who wish to hold New Shares in certificated form on or around 29 December 2009.

Scaling back under the Proposals

The Board has, in conjunction with the Investment Manager, deemed it desirable to have, as near as practicable, a balanced capital structure for the Company going forward. Therefore, the Proposals have been formulated so that the capital structure of the Company immediately following full implementation of the Proposals will reflect as near as practicable, the same aggregate Net Asset Value of ZDP Shares as for

Ordinary Shares (referred to in this document as the “Relevant Proportion”). As a consequence, tenders of Shares under the Tender Offers will be scaled back after taking into consideration the gross redemption yields on the ZDP Share Tender Price below which ZDP Shareholders have elected to tender and applications for Shares under the Matching Purchase Facility and under the Placing, in each case so as to achieve the Relevant Proportion. Full details of how the scaling back will operate and the way in which the gross redemption yield for the ZDP Shares will be set are set out in Part 3 of this document.

The basis on which scaling back to achieve the Relevant Proportion has been undertaken will be announced via a Regulatory Information Service immediately following the General Meeting. As a consequence, Shareholders may not be able to successfully tender all their Shares under the Tender Offers.

Attention is also drawn to the Risk Factors set out in the section headed “Risk Factors” on pages 8 to 13 of this document which should be reviewed before making a decision whether to tender Ordinary Shares and/or ZDP Shares under the respective Tender Offers, or to participate in the Matching Purchase Facility or Placing or, in the case of Shareholders only, when considering how to vote on the Proposals at the Shareholder Meetings.

New Articles of Association

As mentioned above, in light of the proposed changes to the life of the Company and the proposed amendments to the rights attaching to the ZDP Shares, the Directors are proposing that the Company adopt new articles of association to incorporate these changes. In addition, the Directors have also taken the opportunity to update the Articles to bring them into line with current law and practice and to incorporate a number of statutory changes which have come into effect since the Company adopted the current Articles earlier this year.

The proposed release of the Directors from the obligation to put forward winding up proposals to the Company’s Shareholders, the proposed extension of the Company’s life and the proposed changes to the rights attaching to the ZDP Shares referred to above (all of which will be effected by the adoption of the New Articles by the Company) are subject to the prior approval of Shareholders at the General Meeting and also of Ordinary Shareholders and ZDP Shareholders, each as a separate class. Therefore, the Directors have convened separate Class Meetings to be held immediately prior to the General Meeting at which ZDP Shareholders and Ordinary Shareholders will each be asked to approve the Proposals. Further details of the Class Meetings are set out under the paragraph headed “Class Meetings” below.

The principal differences between the existing Articles and the New Articles are set out in Part 10 of this document. Both the existing Articles and New Articles showing all the changes from the existing Articles will be available for inspection at the registered office of the Company and at the offices of Maclay Murray & Spens LLP, One London Wall, London EC2Y 5AB from the date of this document until the end of the General Meeting, and at the General Meeting itself for the duration of the meeting and for at least 15 minutes prior to the start of the meeting.

Consequences of implementing the Proposals

Shares in issue

The number of Ordinary Shares and ZDP Shares in issue following the Tender Offers will be reduced by the number of Shares successfully tendered under the Tender Offers which are not matched with purchases under the Matching Purchase Facility or purchased pursuant to the Placing. If demand for Shares under the Placing exceeds the number of Shares tendered under the Tender Offers which are not purchased under the Matching Purchase Facility, then the Company’s issued share capital will be increased by the number of New Shares issued under the Placing to meet that demand.

ZDP Share Final Entitlement

A ZDP Shareholder who does not tender any ZDP Shares under the ZDP Share Tender Offer will, following implementation of the Proposals, receive their final capital entitlement (as revised following the setting of the GRY pursuant to the Proposals) on 31 December 2015.

Costs

Over the last three months, the Company has incurred costs and expenses in connection with the Proposals. Such advisory, legal and other third party costs (including VAT where relevant) are estimated to amount to approximately £418,000. In addition, the Company may incur stamp duty if it is required to buy back its Shares from J.P. Morgan Cazenove under the Repurchase Agreement, fees under the Placing Agreement, as described in paragraph 8.1.2 of Part 11, and London Stock Exchange fees to the extent that New Shares are issued. These costs and expenses will be charged to the Company's capital account and will not be deducted in computing the Ordinary Share Tender Price.

Effect on NAV per Ordinary Share

By way of illustration only, based on the Company's NAV of 183.75p per share as at 18 November 2009 (being the latest practicable date prior to the publication of this document) and based on the relevant Assumptions set out in Part 9, the effect of the Proposals on the Net Asset Value of the Company's Ordinary Shareholders, comparing for these purposes the case of an Ordinary Shareholder who tenders none of their Ordinary Shares with the case of an Ordinary Shareholder who successfully tenders all of their Ordinary Shares, will be as follows:

<i>Shareholder's participation or otherwise in the Tender Offer</i>	<i>Effect on Net Asset Value attributable to Ordinary Shares (%)</i>
No Shares tendered	-2.1
Successful tender of all Shares	-5.0

Consequences of the Proposals not being approved

Unless all the Resolutions are approved at the Shareholder Meetings, the Proposals will not proceed and the Company will continue under its existing arrangements until December 2010, when (in the absence of alternative proposals approved by Shareholders) the Directors will propose a winding up resolution in accordance with the Company's existing Articles of Association.

City Code on Takeovers and Mergers

Shareholders should note the following important information relating to certain provisions of the City Code which will be relevant to purchases of Shares following the date of this document.

Under Rule 9 of the City Code, any person or group of persons deemed to be acting in concert who acquire an interest (as such term is defined in the City Code) in shares which carry 30 per cent. or more of the voting rights in a company to which the City Code applies is normally required by the Panel to extend offers to the holders of any class of equity share capital in the company whether voting or non-voting, and also to the holders of any other class of transferable securities in the company carrying voting rights. Rule 9 of the City Code also provides that any person or group of persons deemed to be acting in concert who are interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of the company but do not hold shares carrying more than 50 per cent. of the voting rights of such company, and who acquire an interest in any other shares in the company which increases the percentage of shares carrying voting rights in which such person is interested, is normally required by the Panel to extend offers to the holders of any class of equity share capital in the company, whether voting or non-voting, and also to the holders of any class of transferable securities in the company carrying voting rights.

Under Rule 37.1 of the City Code, when a company purchases its own voting shares, a resulting increase in the percentage of voting rights of the directors and persons acting in concert with them is treated as an acquisition for the purposes of Rule 9. A shareholder not acting in concert with the directors will not incur an obligation to make an offer under Rule 9 if, as a result of the purchase of its own shares by a company, he comes to exceed the percentage limits set out in Rule 9. However, this exception will not normally apply when a shareholder not acting in concert with the directors has purchased shares at a time when he had reason to believe that such a purchase of its own shares by the company would take place.

A Shareholder not acting in concert with the Directors may therefore incur an obligation under Rule 9 to extend offers to the holders of any class of equity share capital, whether voting or non-voting, and also to the holders of any other class of transferable securities carrying voting rights if, as a result of the purchase by the Company of its own Shares from Shareholders, the Shareholder comes to hold or acquire 30 per cent. or more of the Shares following implementation of the Tender Offers or otherwise and the Shareholder has purchased Shares when the Shareholder had reason to believe that the Company would purchase its own Shares (under the Repurchase Agreement or otherwise, and in particular after 24 November 2009, being the date on which details of the proposed Tender Offers were announced).

J.P. Morgan Cazenove will purchase, as principal, Shares under the Tender Offers which could result in J.P. Morgan Cazenove owning 30 per cent. or more of each class of share of the Company. J.P. Morgan Cazenove has undertaken that, immediately subsequent to such purchase, it will sell all those Ordinary Shares and ZDP Shares not taken up under the Matching Purchase Facility and the Placing to the Company at the Ordinary Share Tender Price and the ZDP Share Tender Price respectively for cancellation. Accordingly, a waiver has been obtained from the Panel in respect of the application of Rule 9 to the purchase by J.P. Morgan Cazenove of the Shares under the Tender Offers.

Overseas Shareholders

The making of the Tender Offers and the availability of the Matching Purchase Facility and the Placing to Shareholders who are Overseas Shareholders may be prohibited or affected by the relevant laws and regulations of the jurisdiction of which they are citizens, nationals or residents.

Therefore, none of the Tender Offers, the Matching Purchase Facility or the Placing are being made available to Excluded Overseas Shareholders. Shareholders who have registered or mailing addresses in any Restricted Territory or who are citizens or nationals of, or resident in, a Restricted Territory are being sent this document for information only and in order to enable them to vote at the Shareholder Meetings.

The attention of Overseas Shareholders is drawn to paragraph 14 of Part 5 of this document.

ISAs/PEPs

Shares purchased will be a qualifying investment for the stocks and shares component of an ISA if they are acquired by an ISA plan manager in the market. However, if purchased through the Placing, New Shares will not be a qualifying investment. Shares purchased will also qualify as an eligible security in an existing PEP provided they are purchased by a PEP plan manager from the proceeds raised from the sale of an existing PEP holding, but not if they are New Shares purchased through the Placing. **Any Shareholder wishing to purchase Shares through a PEP or ISA should contact their PEP or ISA plan manager as soon as possible.**

Participants in the Premier ISA Scheme

Participants in the Premier ISA Scheme will have received a letter from Premier setting out the options for participants wishing to participate in the Tender Offers or the Matching Purchase Facility. Participants will find enclosed with that letter a Form of Direction, a Premier ISA Scheme Tender Form and a Premier ISA Application Form which explain the actions which they should take. Such individuals should complete and return the Form of Direction, Premier ISA Scheme Tender Form and the Premier ISA Application Form so as to arrive no later than the times and dates specified in that letter. Recipients of this document who are the beneficial owners of Shares held through any other savings scheme or ISA should follow the instructions provided by the relevant plan manager or consult the plan manager or their professional adviser if no instructions have been provided.

Interim Dividend

The Directors are declaring a third interim dividend of 1.5p per Ordinary Share payable on 31 December 2009 to Ordinary Shareholders on the Register at 6.00 p.m. on Friday, 4 December 2009.

Taxation

The tax consequences for Shareholders in relation to the Tender Offers are set out in Part 8 of this document. Shareholders are recommended to seek their own independent financial and tax advice.

Additional Information

Your attention is drawn to the information set out in Parts 2 to 12 (inclusive) of this document, as well as the risk factors set out on pages 8 to 13 of this document.

Shareholder Meetings

Class Meetings

As mentioned above, the proposed extension of the date upon which the Directors are required to put winding up proposals to the Company's Shareholders and the revision of the rights attaching to the ZDP Shares require the prior approval of ZDP Shareholders and Ordinary Shareholders as separate classes. Accordingly, the separate Class Meeting for the ZDP Shareholders has been convened for 18 December 2009 at 10.00 a.m. and the separate Class Meeting for the Ordinary Shareholders has been convened for 18 December 2009 at 10.15 a.m., at which special resolutions will be proposed sanctioning the Proposals. A special resolution requires at least 75 per cent. of the votes cast at the meeting to be passed in its favour.

Quorum requirements for Class Meetings

The quorum for the Class Meetings is, in each case, two persons present in person or by proxy together holding not less than one third in nominal amount of the issued shares of the class in question. Only Shareholders of the relevant class may attend and vote at the relevant Class Meeting. In the event that a quorum is not achieved at such meeting, it will be adjourned in each case to such time and date as shall be announced as soon as possible following such adjournment. The quorum at the adjourned Class Meeting in each case will be one person present in person or by proxy holding shares of the class in question. If, at the adjourned meeting, a quorum is not present, the meeting will be dissolved.

Notices of the Class Meetings, including the resolutions to be proposed, are set out on pages 107 to 110 of this document.

General Meeting

To enable the Proposals to proceed, it is necessary to grant the Directors the appropriate power and authority to implement the Proposals. Accordingly, a general meeting of the Company is being convened for 18 December 2009 at 10.30 a.m. at which a special resolution (conditional upon the passing of the Resolutions at the separate Class Meetings) will be proposed. The special resolution comprises the following parts:

- (i) Approval of the Proposals including, without limitation for the purposes of Listing Rule 9.5.10R(3)(a), the issue of New Ordinary Shares under the Placing at a discount of 5 per cent. to Net Asset Value per Ordinary Share on the Calculation Date which may constitute a discount of more than 10 per cent. to the middle market price of an Ordinary Share at such date;
- (ii) Approval of the adoption of the New Articles which will reflect the amendments made to the terms of the ZDP Shares, the extension of the life of the Company by a further five years to 31 December 2015, and the final implementation of the 2006 Act. Further details of the principal differences between the existing Articles and the proposed New Articles are set out in Part 10 of this document;
- (iii) Authorisation for the Directors to allot New Shares under the Placing up to an aggregate nominal amount of £380,000, representing in aggregate 18,000,000 Ordinary Shares and 20,000,000 ZDP Shares being approximately 99 per cent. of the Ordinary Shares and approximately 104 per cent. of the ZDP Shares respectively in issue as at 18 November 2009 (being the latest practicable date prior to the publication of this document). The Directors intend to use this authority to allot New Shares under the Proposals to the extent that they are required to satisfy demand under the Placing. The

authority will expire on 31 March 2010 unless previously revoked, varied or renewed by the Company in general meeting;

- (iv) Conferral of powers on the Directors to allot New Shares free of statutory pre-emption rights under section 561(1) of the 2006 Act up to a maximum aggregate nominal amount of £380,000, representing in aggregate 18,000,000 Ordinary Shares and 20,000,000 ZDP Shares. This power will expire on 31 March 2010 unless previously revoked, varied or renewed by the Company in general meeting; and
- (v) Authorisation for the Company to make market purchases of Ordinary Shares and ZDP Shares respectively. The Directors intend to use the authority to buy back Ordinary Shares and ZDP Shares to the extent that there are Ordinary Shares and/or ZDP Shares tendered under the Tender Offers that are not purchased through the Matching Purchase Facility and the Placing. Under the authority sought, a maximum of 40 per cent. of the issued Ordinary Share capital and 40 per cent. of the issued ZDP Share capital, representing 7,257,373 Ordinary Shares and 7,657,373 ZDP Shares respectively, may be purchased for immediate cancellation. The price payable for the Ordinary Shares will be the Ordinary Share Tender Price, and the price payable for the ZDP Shares will be the ZDP Share Tender Price (being 156 pence).

A special resolution requires at least 75 per cent. of the votes cast at the meeting to be passed in its favour.

Quorum requirements for the General Meeting

The quorum for the General Meeting is two shareholders of the Company present in person or by proxy and entitled to vote.

General

The Shareholder Meetings will all be held at the offices of J.P. Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA and notices convening such meetings are set out on pages 107 to 113 of this document.

Action to be taken

To vote at the Class Meeting of ZDP Shareholders

ZDP Shareholders will find enclosed with this document a pink Form of Proxy for use at the Class Meeting. Alternatively, Shareholders who are CREST members may utilise the CREST electronic proxy appointment service. **Whether or not ZDP Shareholders intend to attend the Class Meeting, they are requested to complete the Form of Proxy or to utilise the CREST electronic proxy appointment service, in each case in accordance with the instructions printed on the Form of Proxy and in the Notice of Class Meeting set out on page 107 of this document. The completed Form of Proxy (and/or instructions made through the CREST electronic proxy appointment service) should be received by Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, no later than 10.00 a.m. on 16 December 2009. Completion of a Form of Proxy or appointing a proxy through the CREST electronic proxy appointment service will not prevent ZDP Shareholders from subsequently attending and voting in person at the Class Meeting.**

To vote at the Class Meeting of Ordinary Shareholders

Ordinary Shareholders will find enclosed with this document a blue Form of Proxy for use at the Class Meeting. Alternatively, Shareholders who are CREST members may utilise the CREST electronic proxy appointment service. **Whether or not Ordinary Shareholders intend to attend the Class Meeting, they are requested to complete the Form of Proxy or to utilise the CREST electronic proxy appointment service, in each case in accordance with the instructions printed on the Form of Proxy and in the Notice of Class Meeting set out on page 109 of this document. The completed Form of Proxy (and/or instructions made through the CREST electronic proxy appointment service) should be received by Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, no later than 10.15 a.m. on 16 December 2009. Completion of a Form of**

Proxy or appointing a proxy through the CREST electronic proxy appointment service will not prevent Ordinary Shareholders from subsequently attending and voting in person at the Class Meeting.

To vote at the General Meeting

Shareholders will find enclosed with this document a white Form of Proxy for use at the General Meeting. Alternatively, Shareholders who are CREST members may utilise the CREST electronic proxy appointment service. **Whether or not Shareholders intend to attend the General Meeting, they are requested to complete the Form of Proxy, or to utilise the CREST electronic proxy appointment service, in each case in accordance with the instructions printed on the Form of Proxy and in the notice of General Meeting set out on page 111 of this document. The completed Form of Proxy (and/or instruction made through the CREST electronic proxy appointment service) should be received by Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, no later than 10.30 a.m. on 16 December 2009. Completion of a Form of Proxy or appointing a proxy through the CREST electronic proxy appointment service will not prevent Shareholders from subsequently attending and voting in person at the General Meeting.**

To participate in the Ordinary Share Tender Offer

Ordinary Shareholders who hold their Ordinary Shares in certificated form will find enclosed a green Ordinary Share Tender Form for use in connection with the Ordinary Share Tender Offer. Ordinary Shareholders who hold their Ordinary Shares in certificated form who wish to participate in the Ordinary Share Tender Offer should complete and return the form (in accordance with, and as directed by, the instructions set out thereon and the terms and conditions of Part 5 of this document), using the enclosed reply-paid envelope for use within the UK only, so as to be received by Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 1.00 p.m. on 15 December 2009. Ordinary Shareholders who hold their Ordinary Shares in uncertificated form should submit a TTE Instruction so as to be received by Capita Registrars not later than 1.00 p.m. on 15 December 2009. **Ordinary Shareholders who do not wish to tender any Ordinary Shares in the Ordinary Share Tender Offer should not complete or return an Ordinary Share Tender Form or submit a TTE Instruction.**

Ordinary Shareholders who hold their Ordinary Shares in certificated form should also return their Ordinary Share certificate(s) and/or other documents of title in respect of the Ordinary Shares being tendered. Ordinary Shareholders who hold their Ordinary Shares in uncertificated form (that is, in CREST) should arrange for the Ordinary Shares to be transferred to escrow as described in paragraph 8.2.2 of Part 5 of this document.

Ordinary Shareholders wishing to tender Ordinary Shares in the Ordinary Share Tender Offer are referred to the letter from J.P. Morgan Cazenove set out in Part 4 of this document and to paragraph 8 of Part 5 of this document for detailed instructions on the procedure to be followed.

To participate in the ZDP Share Tender Offer

ZDP Shareholders who hold their ZDP Shares in certificated form will find enclosed a yellow ZDP Share Tender Form for use in connection with the ZDP Share Tender Offer. ZDP Shareholders who hold their ZDP Shares in certificated form who wish to participate in the ZDP Share Tender Offer should complete and return the form (in accordance with, and as directed by, the instructions set out thereon and the terms and conditions of Part 5 of this document), using the enclosed reply-paid envelope for use within the UK only, so as to be received by Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 1.00 p.m. on 15 December 2009. ZDP Shareholders who hold their ZDP Shares in uncertificated form should submit a TTE Instruction to be received by Capita Registrars not later than 1.00 p.m. on 15 December 2009. **ZDP Shareholders who do not wish to tender any ZDP Shares in the ZDP Share Tender Offer should not complete or return a ZDP Share Tender Form or submit a TTE Instruction.**

ZDP Shareholders who hold their ZDP Shares in certificated form should also return their ZDP Share certificate(s) and/or other documents of title in respect of the ZDP Shares being tendered. ZDP Shareholders who hold their ZDP Shares in uncertificated form (that is, in CREST) should arrange for the ZDP Shares to be transferred to escrow as described in paragraph 8.2.2 of Part 5 of this document.

ZDP Shareholders wishing to tender ZDP Shares in the ZDP Share Tender Offer are referred to the letter from J.P. Morgan Cazenove set out in Part 4 of this document and to paragraph 8 of Part 5 of this document for detailed instructions on the procedure to be followed.

To participate in the Matching Purchase Facility

Shareholders who wish to purchase Ordinary Shares pursuant to the Matching Purchase Facility should complete the beige Ordinary Share Purchase Form. Shareholders who wish to purchase ZDP Shares pursuant to the Matching Purchase Facility should complete the grey ZDP Share Purchase Form. The Purchase Forms should be completed in accordance with the instructions set out therein and returned by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to arrive as soon as possible and by no later than 1.00 p.m. on 10 December 2009.

Shareholders may apply to purchase Ordinary Shares and/or ZDP Shares under the Matching Purchase Facility regardless of the class of Shares which they currently hold.

General

Irrespective of whether you intend to tender all or any of your Shares in the Tender Offers and/or participate in the Matching Purchase Facility and/or Placing, you are still requested to return the relevant Forms of Proxy in accordance with the instructions set out above.

Whether or not Shareholders decide to tender their Shares and/or participate in the Matching Purchase Facility and/or Placing will depend, among other things, on their own individual circumstances, including their tax position. Shareholders in any doubt as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 or, if such Shareholder is in a jurisdiction outside the United Kingdom, another appropriately authorised independent financial adviser without delay.

It should be noted that the Tender Offers remain conditional and, in the event that they do not proceed, any documents of title will be returned by post in due course at the risk of the holder.

Recommendation

The Board has received financial advice from J.P. Morgan Cazenove in relation to the Proposals. In providing advice to the Board, J.P. Morgan Cazenove has relied on the Board's commercial assessments of the Proposals.

The Board considers that the Proposals and the Resolutions are in the best interests of Shareholders as a whole. Accordingly, your Board unanimously recommends all Shareholders to vote in favour of the Resolutions.

The Board makes no recommendation to Shareholders as to whether to tender Shares in the Tender Offers (or seek to acquire Shares under the Matching Purchase Facility and/or Placing). Whether or not Shareholders decide to purchase or tender their Shares (or seek so to acquire Shares) will depend, among other factors, on their view of the Company's prospects and their own individual circumstances, including their tax position.

Directors' intentions

The Directors intend to vote in favour of the Resolutions in respect of their own beneficial holdings, which amount in aggregate to 227,626 Ordinary Shares, representing approximately 1.25 per cent. of the Ordinary Shares in issue.

None of the Directors will be tendering Shares in the Tender Offers, and the Directors intend to apply for an investment in aggregate of £73,000 in Ordinary Shares under the Matching Purchase Facility.

Yours faithfully

Geoffrey Burns

Chairman

PART 2

INFORMATION ON THE COMPANY

Introduction

The Company is an investment trust which was launched in 2003 with the objective of achieving high income from its portfolio and to realise long term growth in the capital value of the portfolio. The Company has a fixed life and a share capital consisting of Ordinary Shares and ZDP Shares. The Company's registered office is at Eastgate Court, High Street, Guildford, Surrey GU1 3DE.

The Company was launched in 2003 as a successor company to LeggMason Investors International Utilities Trust PLC, with 19,143,433 Ordinary Shares and 19,143,433 ZDP Shares being allotted at launch. The ZDP Shares were issued with a redemption yield of seven per cent. and a fixed life that ends on 31 December 2010. The Company provided notification to the Registrar of Companies of its intention to carry on business as an investment company on 24 September 2003 pursuant to section 266(1) of the 1985 Act. The Company changed its name to Premier Energy and Water Trust PLC on 2 May 2008.

Investment Objectives

The Company's investment objectives are to achieve high income from its portfolio and to realise long-term growth in the capital value of the portfolio. The Company will seek to achieve these objectives by investing principally in equity and equity-related securities of companies operating primarily in the energy and water sectors, as well as other infrastructure investments.

Investment Policy

The policy of the Directors is that, in normal market conditions, the portfolio of the Company should consist primarily of a diversified portfolio of equity and equity-related securities of companies operating in the energy and water sectors, as well as other infrastructure investments. There are no restrictions on the proportion of the portfolio of the Company which may be invested in any one geographical area or asset class but no more than 15 per cent. of the Company's assets, at the time of acquisition, will be invested in a single security. The Company may also invest up to 15 per cent. of its gross assets in investment companies provided they themselves invest in utilities and infrastructure. However, not more than 10 per cent. of the Company's gross assets may be invested in other UK listed closed-ended investment funds unless such funds themselves have published investment policies to invest not more than 15 per cent. of their total assets in other UK listed closed-ended investment funds (provided they themselves invest in utilities and infrastructure). The Company may invest up to 15 per cent. of its gross assets in unquoted securities. There are no borrowings under financial instruments or the equivalent of financial instruments but investors should be aware of the gearing effect of the ZDP Shares within the capital structure.

The Company will manage and invest its assets in accordance with its published investment policy. Any material change to this policy will only be made with the approval of Shareholders by ordinary resolution unless otherwise permitted by the Listing Rules.

Investment Restrictions

In accordance with the Prospectus Rules and Listing Rules applicable to the Company, the Company will not:

- (i) invest more than 10 per cent., in aggregate, of the value of its gross assets at the time the investment is made in other listed closed-ended funds, provided that this restriction does not apply to investments in any such closed-ended funds which themselves have stated investment policies to invest no more than 15 per cent. of their total assets in other listed closed-ended funds;

- (ii) invest more than 15 per cent. of its gross assets in listed closed-ended funds;
- (iii) invest more than 20 per cent. (calculated at the time of any relevant investment) of its gross assets in other collective investment undertakings (open-ended or closed-ended);
- (iv) expose more than 20 per cent. of its gross assets to the creditworthiness or solvency of any one counterparty (including the counterparty's subsidiaries or affiliates);
- (v) invest in physical commodities;
- (vi) cross-finance between the businesses forming part of its investment portfolio including provision of undertakings or security for borrowings by such businesses for the benefit of another;
- (vii) operate common treasury functions as between the Company and an investee company; or
- (viii) conduct any significant trading activity.

In the event of a breach of these restrictions, the Company will make a public announcement through a Regulatory Information Service of the actions it intends to take to remedy such breach.

Investment Outlook and Market Opportunity

The water, power, gas distribution and infrastructure markets are amongst the largest industries in the world. They provide essential services to individuals, industry, businesses and the public sector. Utility companies generally have predictable cash flows and secure business franchises which provide them with a level of protection in an economic downturn and, at the same time, position them for growth as economic activity picks up.

The perceived principal drivers of change that have created investment opportunities in the water, power, gas distribution and infrastructure markets will continue to be the basis for investment opportunities in the future. These are as follows:

- Ongoing liberalisation of utility markets;
- The need for capital to replace ageing or outdated infrastructure;
- Future capacity shortages despite the recession;
- Environmental considerations in the light of climate change;
- Growth in demand for energy and water; and
- A growing focus on national and regional energy security.

Over the past several decades electricity markets around the world have developed albeit with the pace of liberalisation progressing at varying speeds. These markets have developed against a background of shifting growth patterns of energy use towards the non OECD region, which overtook that of the OECD in 2005. The region is now forecast to account for 87 per cent. of the increase in world primary energy demand between 2006 and 2030, with China and India expected to account for just over half of this increase. Meanwhile the mix of generating plants being built to meet these demand shifts is influenced by government policies on energy security and the reduction of carbon emissions. Both factors are likely to continue to encourage a revival in nuclear power as a sustainable energy source, alongside the growth in renewable energy, and both will in turn necessitate significant additional expenditure in the upgrading and extension of electricity grids throughout the world.

The United Nations Climate Change Conference, to be held in Copenhagen in December 2009, is the designated opportunity to negotiate a new global climate change policy post-2012, to follow the Kyoto Protocol. The energy sector, responsible for a large proportion of global greenhouse gas emissions, will play a central role in curbing emissions, through improvements in efficiency, switching to renewables, and other low carbon technologies. As renewable technologies mature, their falling costs, together with strong policy

support and assumed higher fossil-fuel prices should provide the opportunity for the renewables industry to eliminate its reliance on subsidies and bring emerging technologies into the mainstream.

The increasing demand for water is driven by population growth, urbanisation, industrialisation and intensive agriculture. In developed economies, ageing infrastructure is a key issue. In the United States, for example, the Environment Protection Agency estimated in 2003 that it would take almost \$277 billion to maintain the water distribution system in the US over the next 20 years. Much of the projected expenditure is the product of deferred maintenance, inadequate capital replacement, and a generally ageing infrastructure. In addition, populations are increasing and shifting geographically, thus requiring investment in existing or new infrastructure. Despite the economic downturn, rapid urbanisation and industrialisation in Asia have significantly increased demands on water and wastewater treatment systems. Economic growth in China and other emerging Asian economies is expected to continue significantly to outpace those of developed nations. China is leading the growth of water treatment, and its eleventh five year plan (2006–2010) contains a commitment that the Chinese government will invest RMB143 billion (approximately £12.5 billion) in urban water supply and a further RMB 330 billion (approximately £28.8 billion) in wastewater treatment.

Management and Administration

Directors

The Directors are responsible for the determination of the investment policy of the Company and its overall supervision but the day-to-day investment management and administration of the Company is delegated to Premier Fund Managers Limited and Premier Asset Management Limited respectively.

The names, business experience and principal business activities outside the Company of the Directors, as well as the dates of their initial appointment as directors, is set out below. The business address of the Directors is Eastgate Court, High Street, Guildford, Surrey GU1 3DE.

Geoffrey Burns – Chairman

Geoffrey Burns (55) was appointed a non-executive director of the Company on 12 September 2003, and Chairman of the Company on 26 April 2005. Mr Burns has worked in the investment fund industry for over 20 years. From 1997 to 2000 he was a director of and head of investment trusts at Murray Johnstone Limited. Mr. Burns is an adviser to a number of government or multilateral agencies who make investments in private equity funds in emerging markets, including CDC Group, the Swiss Investment Fund for Emerging Markets and the Asian Development Bank. Mr. Burns is Chairman of City Natural Resources High Yield Trust PLC and is a director of Ibex International (UK) Limited, Barnellan Equity Advice Limited, Interclayde Trust Limited and Balmore Trust Limited.

Adam Cooke

Adam Cooke (50) was appointed a non-executive director of the Company on 26 July 2005. Mr Cooke was a global partner of INVESCO PLC (formerly AMVESCAP PLC), one of the world's largest independent investment management organisations where he worked for INVESCO UK. His experience includes the UK institutional business, investment trusts and collective investments. Mr. Cooke is a member of the Chartered Institute of Bankers and is a non-executive director of City Natural Resources High Yield Trust PLC and Midas Income and Growth Trust PLC.

Ian Graham

Ian Graham (55), was appointed a non-executive director of the Company on 12 September 2003. Mr Graham has over 20 years experience as an investment analyst, more than half of which were spent covering utilities, having worked at Scrimgeour Kemp-Gee, Simon & Coates, Nat West Securities and Merrill Lynch until 2001.

Michael Wigley

Michael Wigley (70) was appointed a non-executive director of the Company on 12 September 2003. Mr Wigley is a director of The Conygar Investment Company PLC and Pollock & Carrour Limited. He was

formerly a director of Matheson Investment Limited and a non-executive director of Development Securities PLC. He was deputy chairman of LeggMason Investors International Utilities Trust PLC, the predecessor company.

Investment Manager

The Investment Manager was incorporated in England and Wales under the 1985 Act on 5 July 1988 with registered number 2274227 as a private company limited by shares. Premier Fund Managers Limited is the legal and commercial name of the Investment Manager. The Investment Manager's head office and principal place of business is at Eastgate Court, High Street, Guildford, Surrey GU1 3DE. The Investment Manager's telephone number is 01483 306090. The ultimate holding company of the Investment Manager is Premier.

The principal legislation under which the Investment Manager operates is the 2006 Act. The Investment Manager is authorised and regulated by the Financial Services Authority.

Premier is a privately owned asset management company. Its principal shareholders are the management team and Electra Private Equity PLC. Premier manages a range of authorised UK and offshore funds, including closed-ended investment companies, as well as providing discretionary portfolio management services for private and corporate clients via its FSA-regulated subsidiaries.

Premier has agreed the purchase, from Aberdeen Asset Management PLC, of the management contracts for two open-ended investment company umbrella funds containing 10 open-ended former Credit Suisse funds. The acquisition is expected to complete in December 2009, subject to the consent of Premier's shareholders. The funds acquired will take Premier's total funds under management to approximately £2.5 billion based on valuations at 31 October 2009.

The Company's portfolio is managed by Andrew Whalley, Kevin Scutt and Claire Burgess on behalf of the Investment Manager.

Andrew Whalley, Head of Utility Investment

Andrew joined Johnson Fry, a London based fund manager, in 1993 and was part of the team responsible for launching the forerunner to the Company in 1993. In 1994, he was appointed lead fund manager to the Company. In 1997, Andrew was appointed to the Johnson Fry Board as chief investment officer and was part of the team that subsequently sold Johnson Fry to Legg Mason Inc, a leading US investment manager, in 1999.

Andrew then continued as a main board director of Legg Mason's UK business as head of investment and fund manager to the Company's forerunner until 2003 when he joined Premier. At this point, Premier took over the management of the Company and its sister trust, Premier Renewable Energy Fund ("PREF").

In 2005, Andrew launched Renewable Energy Generation Limited, a leading UK wind developer, onto the London Stock Exchange's AIM market. He took over as Chief Executive Officer of that company in 2007. He has special responsibility for strategic oversight and for specialist renewable investment for the Company and PREF.

Kevin Scutt, Senior Investment Manager

Kevin joined the Investment Manager in July 2005 with over 18 years' experience in the fund management industry and is co-manager of the Company and PREF. Before joining the Investment Manager, Kevin worked for Insight Investment where he was responsible for the analysis of companies in the utilities and telecommunications sectors. Prior to his five years at Insight, Kevin worked at Hill Samuel Asset Management for 13 years where he managed segregated pension schemes and was also the group's specialist in utilities. He has worked in a variety of investment teams that covered UK, European and global markets. He is a member of the CFA Society of the UK.

Claire Burgess, Investment Manager

Claire joined the Investment Manager in December 2008. Previously, she ran a UK smaller companies fund at Rothschild Asset Management after spending four years at Foreign & Colonial where she covered a range of markets, including the UK and Japan. Claire is an associate of the CFA Society of the UK.

Investment Management Agreement

The Company's portfolio is managed by Premier Fund Managers Limited under the terms of an investment management agreement dated 26 September 2003. The management fee is 0.0833 per cent. per month of the gross assets (from 1 October 2007 no VAT has been charged). In addition, the Investment Manager is entitled to a performance fee if in each financial year of the Company:

- (i) the dividends paid are at least 6.75p per Ordinary Share; and
- (ii) the gross assets at the end of the year exceed the highest level of gross assets at the end of any previous financial year of the Company or the initial gross (if higher) assets by more than 7.5 per cent. (on an annualised basis).

In that event the performance fee will be equivalent to 15 per cent. of the excess in (ii) above.

The Investment Management Agreement is currently terminable on 12 months' notice. Further details of the Investment Management Agreement are set out at paragraph 8.1.3 of Part 11 of this document.

Administration and Secretarial Services

Under the Administration Agreement dated 26 September 2003, company secretarial services and the general administration of the Company are undertaken by Premier Asset Management Limited. The Administration Agreement is currently terminable on 12 months' notice. The Secretary receives a monthly fee, payable monthly in arrears, of 0.0104 per cent. (equivalent to 0.125 per cent. annually) of the first £100 million of gross assets of the Company from time to time and 0.00625 per cent. (equivalent to 0.075 per cent. annually) thereafter, subject to a minimum fee of £75,000 for providing these services (plus applicable VAT).

A summary of the main provisions of the Administration Agreement are set out at paragraph 8.1.4 of Part 11 of this document.

Capital Structure following implementation of the Proposals

The Company's capital structure comprises Ordinary Shares and ZDP Shares. Following implementation of the Proposals, it is expected that the Company's net asset value will consist of Ordinary Shares and ZDP Shares in the ratio of approximately 1:1 which will be dependent on the ability to organise the Company's assets between the Ordinary Shares and the ZDP Shares. A summary of the rights of the Ordinary Shares and the ZDP Shares is set out at paragraph 6 of Part 11 of this document.

Capital Structure: Ordinary Shares

The Ordinary Shares will benefit from any dividend growth from the underlying portfolio as the Ordinary Shares will be entitled to all the Company's net income after deducting such management, secretarial and administration fees and other expenses as are charged to the revenue account. Given the fact that the ZDP Shares are not entitled to dividends, the yield on the Ordinary Shares is expected by the Directors to be higher than the average yield of the Company's portfolio. **The statements in this paragraph of the Directors' expectations do not, however, represent forecasts.** On a winding-up of the Company, the Ordinary Shares are entitled to receive the capital available for distribution after the capital entitlements of the ZDP Shares have been satisfied and after deducting the liquidation expenses and other liabilities of the Company.

The Directors believe that the Ordinary Shares represent an opportunity for geared capital returns and for above average income returns compared with the equity yield on the All-Share Index. Based on the Assumptions set out in Part 9, the Directors estimate that the dividend yield on the Ordinary Share Tender Price will be at least 6 per cent. The combination of the investment objectives of the Company and the gearing effect of the prior entitlements of the ZDP Shares will nevertheless present a greater than average market risk to investors in the Ordinary Shares.

A table showing illustrative return statistics for the Ordinary Shares, after taking into account the effect of the capital gearing and based on the Assumptions set out in Part 9 of this document is set out below:

<i>Gross redemption yield of ZDP Shares at the ZDP Share Tender Price</i>		<i>Assumed annual growth rate in initial portfolio and dividends</i>					
		<i>-2.5%</i>	<i>0%</i>	<i>2.5%</i>	<i>5%</i>	<i>7.5%</i>	<i>10%</i>
4%	Net redemption yield (%)	-7.17	0.08	5.90	10.93	15.46	19.65
	Terminal Asset Value (p)	63.87	112.80	168.28	231.00	301.70	381.17
	Hurdle Rate (%)	2.76					
4.25%	Net redemption yield (%)	-7.76	-0.31	5.62	10.71	15.28	19.49
	Terminal Asset Value (p)	60.48	109.40	164.89	227.61	298.31	377.78
	Hurdle Rate (%)	2.91					
4.5%	Net redemption yield (%)	-8.38	-0.71	5.32	10.48	15.09	19.34
	Terminal Asset Value (p)	57.04	105.97	161.45	224.17	294.87	374.34
	Hurdle Rate (%)	3.05					
4.75%	Net redemption yield (%)	-9.03	-1.13	5.01	10.24	14.90	19.18
	Terminal Asset Value (p)	53.56	102.49	157.97	220.70	291.39	370.86
	Hurdle Rate (%)	3.19					
5%	Net redemption yield (%)	-9.72	-1.56	4.70	10.00	14.71	19.02
	Terminal Asset Value (p)	50.04	98.97	154.45	217.18	287.88	367.34
	Hurdle Rate (%)	3.33					
5.25%	Net redemption yield (%)	-10.45	-2.01	4.38	9.75	14.51	18.86
	Terminal Asset Value (p)	46.48	95.41	150.89	213.61	284.31	363.78
	Hurdle Rate (%)	3.48					
5.5%	Net redemption yield (%)	-11.22	-2.48	4.05	9.50	14.31	18.69
	Terminal Asset Value (p)	42.88	91.80	147.29	210.01	280.71	360.18
	Hurdle Rate (%)	3.62					
5.75%	Net redemption yield (%)	-12.04	-2.97	3.71	9.24	14.10	18.52
	Terminal Asset Value (p)	39.23	88.16	143.64	206.36	277.06	356.53
	Hurdle Rate (%)	3.77					
6%	Net redemption yield (%)	-12.92	-3.47	3.35	8.97	13.89	18.35
	Terminal Asset Value (p)	35.54	84.47	139.95	202.67	273.37	352.84
	Hurdle Rate (%)	3.92					
6.25%	Net redemption yield (%)	-13.87	-4.00	2.99	8.70	13.67	18.17
	Terminal Asset Value (p)	31.80	80.73	136.21	198.94	269.63	349.10
	Hurdle Rate (%)	4.06					
6.5%	Net redemption yield (%)	-14.89	-4.55	2.62	8.42	13.45	17.99
	Terminal Asset Value (p)	28.02	76.95	132.43	195.16	265.85	345.32
	Hurdle Rate (%)	4.21					
6.75%	Net redemption yield (%)	-16.00	-5.12	2.23	8.13	13.23	17.81
	Terminal Asset Value (p)	24.20	73.12	128.61	191.33	262.03	341.50
	Hurdle Rate (%)	4.36					
7%	Net redemption yield (%)	-17.22	-5.73	1.83	7.84	12.99	17.62
	Terminal Asset Value (p)	20.33	69.25	124.74	187.46	258.16	337.63
	Hurdle Rate (%)	4.51					
7.25%	Net redemption yield (%)	-18.57	-6.36	1.42	7.53	12.76	17.43
	Terminal Asset Value (p)	16.41	65.34	120.82	183.54	254.24	333.71
	Hurdle Rate (%)	4.66					
7.5%	Net redemption yield (%)	-20.08	-7.02	0.99	7.22	12.52	17.23
	Terminal Asset Value (p)	12.45	61.38	116.86	179.58	250.28	329.75
	Hurdle Rate (%)	4.81					

These statistics are for illustrative purposes only and do not represent forecasts and are based on the Assumptions set out in Part 9. The actual returns cannot be predicted and may differ from those shown above.

Capital Structure: ZDP Shares

The illustrative return statistics for the ZDP Shares based on the Assumptions set out in Part 9 of this document, is set out below:

ZDP Share Tender Price	156p
Net Asset Value per ZDP Share at the Effective Date	151.39p
Life remaining as at Effective Date	6 years

<i>Gross redemption yield at the ZDP Share Tender Price</i>	<i>Gross redemption yield at the ZDP Share Net Asset Value at 17 December 2009</i>	<i>Final capital entitlement at the Revised Winding Up Date</i>	<i>Final Cover</i>	<i>Hurdle Rate</i>
4%	4.52%	197.69p	1.46 times	-6.08%
4.25%	4.77%	200.57p	1.44 times	-5.86%
4.5%	5.02%	203.50p	1.42 times	-5.65%
4.75%	5.27%	206.45p	1.40 times	-5.43%
5%	5.52%	209.45p	1.38 times	-5.22%
5.25%	5.77%	212.48p	1.36 times	-5.00%
5.5%	6.03%	215.54p	1.34 times	-4.79%
5.75%	6.28%	218.64p	1.33 times	-4.58%
6%	6.53%	221.78p	1.31 times	-4.36%
6.25%	6.78%	224.96p	1.29 times	-4.14%
6.5%	7.03%	228.18p	1.27 times	-3.93%
6.75%	7.28%	231.43p	1.26 times	-3.71%
7%	7.53%	234.72p	1.24 times	-3.50%
7.25%	7.78%	238.05p	1.22 times	-3.28%
7.5%	8.04%	241.42p	1.21 times	-3.07%

These statistics are for illustrative purposes only and do not represent forecasts and are based on the Assumptions set out in Part 9. The actual returns cannot be predicted and may differ from those shown above.

Expenses to Capital

Following implementation of the Proposals, the Directors will allocate 60 per cent. of management fees to capital.

Dividend Policy

In the absence of unforeseen circumstances, dividends will be payable quarterly, usually by way of interim dividend in June, September, December and March. The third interim dividend in respect of the period ending 31 December 2009 has been declared at a rate of 1.5p per Ordinary Share. Including this dividend, the Company has declared aggregate dividends of 40.375p per Ordinary Share for the period since launch.

The Board has the intention of maintaining a progressive dividend policy, to the extent permitted, in respect of its Ordinary Shares. It is emphasised that this dividend objective is not a profit forecast or a forecast of return from investment in the Company and there is no guarantee of any particular level of profits or return being achieved.

Dividends are paid to the extent that they are covered by the income received from the Company's underlying investments. The distribution as dividends of surpluses from realisations of investments is prohibited by the Articles of Association and such surpluses accrue to the benefit of the Company. The Company retains no more than 15 per cent. of its income derived from shares and securities in respect of any accounting period.

Share buy back Policy

The Board intends to seek Shareholders' approval at the Company's annual general meeting in 2010, and annually thereafter, to give the Board authority to repurchase up to 14.99 per cent. of each class of Share provided that:

- (a) Ordinary Shares will only be repurchased at a purchase price which is below the prevailing Net Asset Value per Ordinary Share and where the Cover on the ZDP Shares is 1.5 times or above and, as a consequence of the proposed repurchase, the Cover on the ZDP Shares will not reduce to below 1.5 times (having taking account of any ZDP Shares to be purchased at or about the same time); and/or
- (b) Ordinary Shares and ZDP Shares are only repurchased in the ratio of Ordinary Shares to ZDP Shares established on the Calculation Date following the settlement of the Relevant Proportion (as referred to in more detail in Part 3 of this document); and/or
- (c) ZDP Shares are purchased at a purchase price which is below their prevailing accrued capital entitlement.

In all other circumstances, such buy back authority will require separate class approval of Ordinary Shareholders and ZDP Shareholders. In addition, repurchases of Shares will be made at the discretion of the Board and only when market conditions are considered by the Board to be appropriate and in accordance with the Listing Rules. Repurchases will only be made when they result in an increase in the fully diluted Net Asset Value per Ordinary Share. Any Shares repurchased by the Company will be cancelled and will not be held in treasury for resale.

Borrowing Policy

The Company's policy is not to employ any long-term gearing. However, the Company may borrow to gear the Company's returns when the Investment Manager believes it is in Shareholders' interests to do so. The Articles permit the Company to borrow up to an aggregate amount equal to 100 per cent. of the Company's gross assets. Any change to the Company's borrowing policy would require ZDP Shareholders' approval.

Custody

The Northern Trust Company acts as custodian of the Company's assets and, in that capacity, is responsible for ensuring safe custody and dealing with settlement arrangements. The Custodian is a company which was incorporated in the United States on 18 April 1969 with registered number BR001960. The Northern Trust Company is the legal and commercial name of the Custodian. The Custodian's head office and principal place of business in the UK is at 50 Bank Street, Canary Wharf, London E14 5NT. The Custodian's telephone number is 0207 982 2000. The Custodian is domiciled in the UK and is authorised and regulated in the UK by the Financial Services Authority.

The Custodian's appointment as custodian is terminable, *inter alia*, upon 30 days' notice given by either party. The Custodian receives fees for the provision of such services subject to a maximum individual transaction fee of £90 and an annual maximum safe-keeping custody fee of 0.3 per cent. of the value of the Company's Gross Assets (plus applicable VAT). A summary of the main provisions of the Custody Agreement is set out at paragraph 8.1.5 of Part 11 of this document.

Typical Investor

An investment in the Shares is only suitable for investors capable of evaluating the risks (including the potential risk of capital loss) and merits of such investment and who have sufficient resources to bear any loss which may result from such investment. Furthermore, an investment in the Shares should constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors and the clients of private client fund managers and private client brokers, as well as private individuals who have received advice from their fund manager or broker regarding investment in the Shares.

Registration services

Capita Registrars acts as UK registrar to the Company. In return for providing such services the Registrar is entitled to a fee calculated principally on the basis of the number of Shareholders and transfers made which have appeared on the register at any time during each month. The Registrar Agreement may be terminated on six months' notice by either party. A summary of the main provisions of the Registrar Agreement is set out at paragraph 8.1.6 of Part 11 of this document.

Duration of the Company

The New Articles will, if adopted, oblige the Company to convene a general meeting of the Company to be held on 31 December 2015, at which a resolution will be proposed that the Company be wound up voluntarily. The New Articles contain weighted voting rights in favour of winding up the Company, so that all Shareholders voting at that general meeting in favour of the winding up resolution shall collectively have the requisite majority of the votes required to be cast to pass the resolution.

In addition, the New Articles contain similar provisions in circumstances where the Company's gross assets are, for four consecutive weeks, £5 million or less. The Directors are required to convene a general meeting on the day which falls 60 days after such event proposing to wind up the Company voluntarily.

Taxation

Information concerning the tax status of the Company and the taxation of Shareholders resident in the UK is contained in Part 8 of this document.

PART 3

INFORMATION ON THE MATCHING PURCHASE FACILITY, THE PLACING, SCALING BACK UNDER THE PROPOSALS AND HOW THE GROSS REDEMPTION YIELD ON THE ZDP SHARES WILL BE SET

Matching Purchase Facility and Placing

The Directors are aware that certain Shareholders may wish to increase their investment in the Company and that new investors might wish to gain exposure to the Company. Accordingly, they have reviewed with their advisers the options to facilitate such investment. Concurrently with the Tender Offers, the Directors have therefore arranged for J.P. Morgan Cazenove to operate a Matching Purchase Facility and a Placing.

The Matching Purchase Facility and the Placing are each conditional upon the Tender Offers proceeding and are subject to Shareholder approval.

1. Matching Purchase Facility

Under the Matching Purchase Facility, Shareholders (other than Excluded Overseas Shareholders) will be able to purchase Shares at the relevant Purchase Price (plus stamp duty) from J.P. Morgan Cazenove to the extent that there are Shares available through valid tenders. The maximum number of Shares available for purchase under the Matching Purchase Facility will be that number of Shares purchased by J.P. Morgan Cazenove under the Tender Offers.

Investors will be able to participate in the Matching Purchase Facility if they have acquired Shares prior to the Record Date and either they, or their nominees, are on the register of members as at 5.00 p.m. on 15 December 2009, being the Record Date.

Applications under the Matching Purchase Facility must be for a minimum aggregate amount of £1,000 in value (inclusive of any stamp duty payable) and thereafter in multiples of £1,000. The latest time and date for submission of a Purchase Form is 1.00 p.m. on 10 December 2009. Shareholders who wish to purchase Shares under the Matching Purchase Facility will be liable for the payment of stamp duty or stamp duty reserve tax on any Shares purchased in the ordinary way. Payment in respect of stamp duty or stamp duty reserve tax will be deducted by J.P. Morgan Cazenove from the amount submitted with a Purchase Form.

Ordinary Shares and ZDP Shares tendered and then sold by J.P. Morgan Cazenove to Shareholders under the Matching Purchase Facility will be registered in the Company's register of members on or around 23 December 2009.

Shareholders should read Part 5 of this document and the relevant Purchase Form enclosed with this document for further information on the Matching Purchase Facility and details on the completion of the relevant Purchase Form.

2. Placing

Under the Placing, J.P. Morgan Cazenove has agreed to place Shares tendered under the Tender Offers with its institutional clients (other than from certain overseas jurisdictions) to the extent that they are available, following the satisfaction of applications for Shares under the Matching Purchase Facility, at the relevant Purchase Price. Investors who are not currently Shareholders, as well as existing institutional Shareholders, will be able to participate in the Placing if they are clients of J.P. Morgan Cazenove. Stamp duty will be payable by placees to the extent that they purchase Shares tendered under the Tender Offers.

To the extent that more Shares are required to satisfy demand under the Placing than are tendered under the Tender Offers (and which are not taken up under the Matching Purchase Facility), the Company is proposing to issue New Shares to placees in the amount required to meet demand up to a maximum of 18,000,000 New Ordinary Shares and 20,000,000 New ZDP Shares, but subject to the capital structure of the Company in the Relevant Proportion (as described below) being achieved. No stamp duty is payable upon the issue of New Shares.

Ordinary Shares and ZDP Shares tendered and then sold by J.P. Morgan Cazenove to placees under the Placing, and New Shares, will be registered in the Company's register of members on or around 29 December 2009.

Applications will be made to the UK Listing Authority for the New Shares to be issued under the Placing to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange for all the New Shares to be admitted to trading on the London Stock Exchange's Main Market. It is expected that such admissions will become effective, and that dealings will commence, on 23 December 2009.

PEPs and ISAs

Shares purchased will be a qualifying investment for the stocks and shares component of an ISA if they are acquired by an ISA plan manager in the market. However, New Shares purchased through the Placing will not be a qualifying investment. Shares purchased will also qualify as an eligible security in an existing PEP provided they are purchased by a PEP plan manager from the proceeds raised from the sale of an existing PEP holding, but not if they are New Shares purchased through the Placing.

The Relevant Proportion, scaling back under the Proposals and how the GRY of the ZDP Shares will be set

The Relevant Proportion

The Board has, in conjunction with the Investment Manager, deemed it desirable to have, as near as practicable, a balanced capital structure for the Company going forward. Therefore, the Proposals have been formulated so that the capital structure of the Company immediately following full implementation of the Proposals will reflect as near as practicable, the same aggregate net asset value of ZDP Shares as for Ordinary Shares (referred to in this document as the "Relevant Proportion"). In order to achieve the Relevant Proportion, the Tender Offers, Matching Purchase Facility and Placing will be subject to scaling as set out below.

Scaling back of tenders of Ordinary Shares

Under the Ordinary Share Tender Offer, Ordinary Shareholders are able to tender all or part of their holding of Ordinary Shares, subject to an overall limit in aggregate of 40 per cent. of the issued Ordinary Share capital as at the Record Date after matching tenders with applications for Shares under the Matching Purchase Facility and Placing. Tenders of Ordinary Shares will therefore be subject to scaling back to the extent that (i) J.P. Morgan Cazenove receives valid tenders for Ordinary Shares which represent in aggregate in excess of 40 per cent. of the issued Ordinary Share capital as at the Record Date (after matching tenders with applications for Shares under the Matching Purchase Facility and Placing), and/or (ii) there are insufficient tenders for ZDP Shares under the ZDP Share Tender Offer following the operation of the GRY selection mechanism referred to below, to achieve the Relevant Proportion.

In the event that scaling of tendered Ordinary Shares is required, tenders will be scaled as follows: first, amongst those Shareholders who have tendered in excess of 40 per cent. of their holding of Ordinary Shares on the Record Date *pro rata* according to the amount by which their tender exceeds 40 per cent. and, second, to the extent that tenders of Ordinary Shares are to be scaled back below 40 per cent. of the issued Ordinary Share capital as at the Record Date, by the same percentage amount amongst all tendering Shareholders.

Tenders in excess of 40 per cent. of an individual holding of Ordinary Shares will only be satisfied to the extent that other Ordinary Shareholders do not tender their Shares (or tender less than 40 per cent. of their holding) and/or there is demand under the Matching Purchase Facility and the Placing.

In light of the Directors' desire to maintain a capital structure which reflects the Relevant Proportion, the ability of Ordinary Shareholders to sell Ordinary Shares under the Ordinary Share Tender Offer will depend upon the number of valid tenders received under the Ordinary Share Tender Offer and the applications for Shares under the Matching Purchase Facility and the Placing.

Scaling back of applications to purchase Shares under the Matching Purchase Facility

Shares will only be available for purchase under the Matching Purchase Facility to Shareholders to the extent that Shares are validly tendered under the Tender Offers. In the event that applications for Shares under the Matching Purchase Facility exceed the number of Shares that are tendered under the Tender Offers, then applications under the Matching Purchase Facility will be scaled back *pro rata* according to the amounts of the applications. Applications for Shares under the Matching Purchase Facility will also be scaled back in the event that the size of the continuing pool of Ordinary Shares produces an aggregate net asset value attributable to the Ordinary Shares that is greater than the aggregate net asset value attributable to the ZDP Shares, in order to achieve the Relevant Proportion.

Scaling back of applications to acquire Shares under the Placing

Shares will only be available under the Placing where applications to purchase Shares under the Matching Purchase Facility have been satisfied and the capital structure following implementation of the Proposals is balanced in the Relevant Proportion as set out above. In the event that scaling of places is required under the Proposals, places will be scaled back *pro rata* to applications for ZDP Shares and/or Ordinary Shares as appropriate.

Scaling back of tenders of ZDP Shares

Under the ZDP Share Tender Offer, ZDP Shareholders may elect to tender all or part of their holding of ZDP Shares at the ZDP Share Tender Price either (i) if the GRY for the ZDP Shares for the period following implementation of the Proposals is set below a certain level or (ii) regardless of the level at which the gross redemption yield per ZDP Share is set for the period following implementation of the Proposals. The ZDP Share Tender Offer is limited to 40 per cent. of the aggregate issued ZDP Share capital (after matching under the Matching Purchase Facility and the Placing) and is subject to any scaling required to achieve the Relevant Proportion.

Tenders of ZDP Shares will therefore be subject to scaling in the manner described below.

Setting of gross redemption yield for ZDP Shares and scaling to achieve Relevant Proportion

ZDP Shareholders are being given the opportunity to elect to tender their Shares at the ZDP Share Tender Price, but to choose only to do so if the gross redemption yield of the ZDP Shares for the period following implementation of the Proposals is set below a certain level. The setting of the gross redemption yield for the ZDP Shares and the scaling process will take place in the following stages:

Stage 1: J.P. Morgan Cazenove will calculate the number of tenders of Ordinary Shares validly made under the Ordinary Share Tender Offer and match such tenders with applications to purchase Ordinary Shares under the Matching Purchase Facility and the Placing and the amount (if any) of any excess tenders will be scaled back to a maximum of 40 per cent. of the issued Ordinary Share capital as at the Calculation Date (as described above). Based on the resulting number of Ordinary Shares and the estimated net asset value of those Ordinary Shares as at the Calculation Date (as adjusted to take account of the costs and liabilities of implementing the Proposals), the Company can then establish the aggregate net asset value of the ZDP Shares required to achieve the Relevant Proportion following implementation of the Proposals, and therefore the required number of ZDP Shares, given that the Net Asset Value per ZDP Share will be 151.39p at the time of implementation of the Proposals.

- Stage 2:* J.P. Morgan Cazenove will calculate the numbers of ZDP Shares available over the range of GRYs offered by reference to (i) the number of tenders of ZDP Shares validly made under the ZDP Share Tender Offer and (ii) applications under the Matching Purchase Facility and the Placing, at each GRY level within the range of GRYs offered on the ZDP Share Tender Form and ZDP Share Purchase Form respectively.
- Stage 3:* The lowest GRY level which results in the aggregate number of ZDP Shares required to be retained to enable the net asset value attributable to the ZDP Shares to equal, as near as practicable, the net asset value attributable to the Ordinary Shares identified at stage 1 above will be selected. In identifying the lowest GRY level, if the potential number of ZDP Shares available at a GRY level (being the aggregate of Shareholders who have, in effect, opted to remain invested at the GRY level proposed together with the number of ZDP Shares applied for under the Matching Purchase Facility and Placing) is higher than the number of ZDP Shares required to be retained to achieve the Relevant Proportion, then applications will be scaled back, first under the Placing, and then under the Matching Purchase Facility to achieve (where possible) the required number. However, if there are insufficient applications under the Placing and Matching Purchase Facility that can be scaled back to achieve the required number of ZDP Shares, then the next lowest GRY level will be selected and cumulative applications to tender at GRY levels at that lower level will be scaled back *pro rata*, in the same manner as described above, to achieve the required amount of ZDP Shares.
- Stage 4:* In the event that, following the implementation of stages 1 to 3 above, there are insufficient numbers of ZDP Shares at any level of GRY to achieve the Relevant Proportion, then applications for Ordinary Shares under the Matching Purchase Facility and the Placing will be scaled back to reduce the number of Ordinary Shares such that their net asset value attributable to such shares will balance with that of the ZDP Shares, as described at Stage 3 above.
- Stage 5:* In the event that demand for ZDP Shares under the Matching Purchase Facility and the Placing at the GRY level selected exceeds the total number of ZDP Shares tendered under the ZDP Share Tender Offer, then demand under the Placing will only be satisfied if, and to the extent that, there are excess applications for Ordinary Shares under the Placing which cannot be matched with Ordinary Shares tendered under the Ordinary Share Tender Offer (and not taken up under the Matching Purchase Facility). Any New Shares will be issued under the Placing, subject to the Relevant Proportion being achieved as described above.

In the event that scaling of tendered ZDP Shares is required at any level of GRY, tenders will be scaled as follows: first, amongst those Shareholders who have tendered in excess of 40 per cent. of their holding of ZDP Shares on the Record Date *pro rata* according to the amount by which their tender exceeds 40 per cent. and second, to the extent that tenders of ZDP Shares due to be scaled back below 40 per cent. of the issued ZDP Share capital as at the Record Date, by the same percentage amount amongst all tendering ZDP Shareholders at that GRY level.

The following is an example of potential tender elections under the ZDP Share Tender Offer based on the total number of ZDP Shares in issue being 19,143,433 (A) as at the date of this document:

						<i>Total potential number of ZDP shares at this level</i>
	<i>ZDP Tender if GRY is less than</i>	<i>Cumulative Tenders at this GRY level (B)</i>	<i>Applications under the Matching Purchase Facility (C)</i>	<i>Applications under the Placing (D)</i>	<i>Total (C)+(D)=(E)</i>	<i>(A) – (B) + (E)</i>
4.75%	5,000,000	9,000,000		500,000	500,000	10,643,433
5%	4,000,000	5,000,000	500,000	1,000,000	1,500,000	15,643,433
5.25%	3,000,000	2,000,000	1,000,000	2,000,000	3,000,000	20,143,433
5.5%		2,000,000	1,000,000	2,500,000	3,500,000	20,643,433
5.75%	2,000,000		1,000,000	3,000,000	4,000,000	23,143,433
6%			1,000,000	3,500,000	4,500,000	23,643,433

Scenario 1: If 17,500,000 ZDP Shares are required following stage 1 of the process outlined above, a GRY of 5.25 per cent. will be set with the applications of 2,000,000 under the Placing at that level scaled back in full and applications of 1,000,000 under the Matching Purchase Facility at that level scaled back from 1,000,000 to 356,567.

Scenario 2: If 16,000,000 ZDP Shares are required following stage 1 of the process outlined above, there are not enough applications under the Matching Purchase Facility and the Placing to scale at the 5.25 per cent. level, so the 5 per cent. level would be set with cumulative tenders of 5,000,000 (being the aggregate of 3,000,000 Shares tendered at a GRY of less than 5.25 per cent. plus 2,000,000 Shares tendered at a GRY of less than 5.75 per cent.) scaled back *pro rata* as between ZDP Shareholders by 356,567 Shares to achieve the required result.

The examples above are included for illustrative purposes only and should not be taken as an indication of the likely outcome of the Proposals. Shareholders who are in any doubt about the action they should take are recommended to consult an independent financial adviser without delay.

In the event that the Resolutions are passed, but tenders are received in respect of in excess of 40 per cent. in aggregate of each class of Share and no applications for Shares are received under the Matching Purchase Facility and the Placing, then the Company would proceed to repurchase a maximum of 40 per cent. of each class of Share and the GRY for the ZDP Shares would be set at the level within the range of GRYS which achieves the Relevant Proportion.

ZDP Shareholders who do not return a Tender Form will be deemed to have elected to remain invested in the Company regardless of the level at which the GRY is set. ZDP Shareholders who return a signed Tender Form together with their share certificate and all supporting documentation evidencing their holding without indicating a GRY level on their form will be deemed to have elected to tender all of their holding regardless of the level at which the GRY is set.

In light of the Directors' desire to maintain a capital structure which reflects the Relevant Proportion, the ability of ZDP Shareholders to tender their ZDP Shares under the ZDP Share Tender Offer will depend upon the number of valid tenders received under the ZDP Share Tender Offer and the number of applications for ZDP Shares under the Matching Purchase Facility and Placing.

Overseas Shareholders

The making of the Tender Offers to persons not resident in, or who are outside, the United Kingdom may be affected by the laws or regulatory requirements of relevant jurisdictions. Persons not resident in, or who are outside, the United Kingdom and who wish to participate in the Tender Offers are referred to paragraph 14 of Part 5 of this document. **Shareholders who are in any doubt as to their position are strongly advised to consult their own professional adviser.**

Announcement regarding the Proposals

The number of Shares tendered under the Tender Offers, the result of the Matching Purchase Facility and the Placing, the aggregate nominal value of the New Shares and the number of New Shares to be issued (if any) are expected to be announced by the Company through a Regulatory Information Service on, or around, 18 December 2009.

Conditions of the Matching Purchase Facility and the Placing

The Matching Purchase Facility and the Placing are each conditional on the approval by the Company's Shareholders of the Resolutions to be proposed at the Shareholder Meetings convened for 18 December 2009 (or, at any adjournment of those meetings).

PART 4

LETTER FROM J.P. MORGAN CAZENOVE LIMITED

24 November 2009

To all Shareholders

Dear Sir or Madam,

Tender Offers to all Shareholders (other than Excluded Overseas Shareholders)

As explained in the letter from your Chairman in Part 1, all Shareholders (other than Excluded Overseas Shareholders) are being given the opportunity to tender part, and possibly all, of their holdings of Ordinary Shares and/or ZDP Shares for purchase in the Tender Offers on the basis set out below and in accordance with Part 5. The purpose of this letter is to set out the principal terms and conditions of the Tender Offers.

The Ordinary Share Tender Offer

J.P. Morgan Cazenove hereby invites all Ordinary Shareholders (other than Excluded Overseas Shareholders) to tender Ordinary Shares for purchase by J.P. Morgan Cazenove for cash at a price per Ordinary Share calculated on the Calculation Date. The Ordinary Share Tender Price will represent a discount of 5 per cent. to the Net Asset Value per Ordinary Share on the Calculation Date, which is expected to be 17 December 2009, and will be paid in Sterling. The Ordinary Share Tender Offer is made on the terms and in all respects subject to the conditions set out below and in Part 5 and the accompanying Ordinary Share Tender Form, which form part of the Ordinary Share Tender Offer.

Ordinary Shareholders (other than Excluded Overseas Shareholders) on the Register at the Record Date will be entitled to tender all or part of their registered holding as at the Record Date subject to an overall limit of 40 per cent. of the issued Ordinary Shares after the operation of the Matching Purchase Facility and the Placing.

The Ordinary Share Tender Offer will be subject to scaling in order to achieve the Relevant Proportion, as described in more detail in Part 3 of this document.

The ZDP Share Tender Offer

J.P. Morgan Cazenove hereby invites all ZDP Shareholders (other than Excluded Overseas Shareholders) to tender ZDP Shares for purchase by J.P. Morgan Cazenove for cash at 156p per ZDP Share. The ZDP Share Tender Price will represent a 3 per cent. premium to the Net Asset Value per ZDP Share on the Calculation Date and will be paid in Sterling. The ZDP Share Tender Offer is made on the terms and in all respects subject to the conditions set out below and in Part 5 and the accompanying ZDP Share Tender Form, which form part of the ZDP Share Tender Offer.

ZDP Shareholders (other than Excluded Overseas Shareholders) on the Register at the Record Date will be entitled to tender all or part of their registered holding as at the Record Date subject to an overall limit of 40 per cent. of the issued ZDP Shares after the operation of the Matching Purchase Facility and the Placing.

The ZDP Share Tender Offer will also be subject to scaling in order to achieve the Relevant Proportion, as described in more detail in Part 3 of this document.

The Tender Offers form part of the Proposals and accordingly will be implemented only if the requisite approval of Shareholders to the Resolutions to be put before the Shareholder Meetings is duly obtained.

Shareholders who are in any doubt as to the consequences, including the taxation consequences, of returning or failing to return their Tender Forms or of submitting or failing to submit a TTE Instruction, are recommended to consult an appropriate professional adviser.

Procedure for tendering Shares

Shareholders who hold their Shares in certificated form who wish to tender their Ordinary Shares and/or ZDP Shares should complete the relevant Tender Form in accordance with the instructions set out therein

and return the completed Tender Form(s) by post or by hand only (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received as soon as possible and, in any event, not later than 1.00 p.m. on 15 December 2009.

Shareholders who hold their Shares in certificated form should also return the relevant Share certificate(s) and/or other documents of title in respect of the Shares tendered with their Tender Form(s). Shareholders who hold their Shares in uncertificated form (that is, in CREST) should arrange for the relevant Shares to be transferred into escrow as described in paragraph 8.2.1 and 8.2.2 respectively of Part 5.

Shareholders should note that, once tendered, Shares may not be sold, transferred, charged or otherwise disposed of. In returning a Tender Form, a Shareholder is deemed to accept that such tender may not be withdrawn or cancelled.

Full details of the procedure for tendering Ordinary Shares and/or ZDP Shares are set out in Part 5 and in the Tender Forms.

Validity of Tender Forms and TTE Instructions

Tender Forms and TTE Instructions which are received by Capita Registrars after 1.00 p.m. on the Closing Date or which at that time are incorrectly completed or not accompanied by all relevant documents or instructions may be rejected and returned, along with relevant documents, to Shareholders or their appointed agent. However, J.P. Morgan Cazenove reserves the right to treat as valid Tender Forms or TTE Instructions which are not entirely in order and which are not accompanied by the relevant Share certificate and/or other document(s) of title or a satisfactory indemnity in lieu thereof and shall be entitled (in its sole discretion) to accept late Tender Forms and TTE Instructions.

The Tender Offers are not available to Shareholders with registered or mailing addresses in the United States, Canada, Australia, the Republic of South Africa or Japan or who are citizens or nationals of, or resident in, the United States, Canada, Australia, the Republic of South Africa or Japan. Overseas Shareholders should read paragraph 14 of Part 5 of this document.

Conditions of the Tender Offers

The Tender Offers are conditional *inter alia* upon the passing of the Resolutions at the Shareholder Meetings by not later than 18 December 2009. The Tender Offers are further conditional on the other matters set out in paragraphs 3.1 and 6.1 respectively of Part 5.

Termination of the Tender Offers

The Calculation Date and/or completion of the Tender Offers may be deferred to such date as is determined by agreement between J.P. Morgan Cazenove and the Company and/or the Tender Offers may be terminated, in each case in the circumstances described in paragraph 12 of Part 5. If the circumstances continue to exist at the deferred Calculation Date or the deferred date for completion of the Tender Offers, the Company may exercise its discretion to withdraw the Tender Offers as at that date as described in paragraph 12 of Part 5 of this document.

Settlement

Subject to the Tender Offers becoming unconditional, payment of the Tender Price due to Shareholders whose tenders under the Tender Offers have been accepted is expected to be despatched (by cheque or by payment through CREST, as appropriate) by Capita Registrars on 23 December 2009 or as soon as practicable thereafter, as described in paragraph 9 of Part 5.

Further Information

Your attention is drawn to the information contained in the rest of this document, including, in particular, the terms and conditions of the Tender Offers in Part 5.

Yours faithfully

Angus Gordon Lennox
J.P. Morgan Cazenove Limited

PART 5

TERMS AND CONDITIONS OF THE TENDER OFFERS, MATCHING PURCHASE FACILITY AND PLACING

A: TENDER OFFERS

General

All Shareholders on the Register on the Record Date (other than Excluded Overseas Shareholders) may tender Ordinary Shares and/or ZDP Shares for purchase by J.P. Morgan Cazenove as principal on the terms and subject to the conditions set out in this document and the accompanying Tender Forms (which together constitute the Tender Offers). Shareholders are not obliged to tender any Shares.

Ordinary Share Tender Offer

2. Tenders under the Ordinary Share Tender Offer

- 2.1 The Ordinary Share Tender Offer will be made at the Ordinary Share Tender Price calculated in accordance with paragraph 4 of this Part 5. The consideration for each tendered Ordinary Share acquired by J.P. Morgan Cazenove pursuant to the Ordinary Share Tender Offer will be paid in Sterling in accordance with the settlement procedures set out in paragraph 9 of this Part 5.
- 2.2 Upon the Ordinary Share Tender Offer becoming unconditional and unless the Ordinary Share Tender Offer has been (and remains) suspended or has lapsed or has been terminated in accordance with the provisions of paragraph 12 of this Part 5, J.P. Morgan Cazenove will accept the tenders of Ordinary Shareholders validly made in accordance with this Part 5, subject as mentioned in this Part 5, on the basis that each Ordinary Shareholder (other than Excluded Overseas Shareholders) on the Register at the Record Date will be entitled to sell to J.P. Morgan Cazenove up to the whole of such Ordinary Shareholder's holding of Ordinary Shares entered on the Register as at the Record Date.
- 2.3 A maximum number of Ordinary Shares, representing 40 per cent. of the existing issued Ordinary Shares will be acquired by J.P. Morgan Cazenove under the Ordinary Share Tender Offer after the operation of the Matching Purchase Facility and the Placing.
- 2.4 Tenders of Ordinary Shares will be scaled back in accordance with the scaling process described in Part 3 of this document. Tenders of Ordinary Shares in excess of 40 per cent. of the aggregate issued Ordinary Share capital on the Register on the Record Date (unless purchased under the Matching Purchase Facility or the Placing) will be scaled back to a maximum of 40 per cent. of the aggregate issued Ordinary Share capital on the Record Date. Ordinary Shares tendered under the Ordinary Share Tender Offer will be matched first with purchasers of Ordinary Shares under the Matching Purchase Facility, with any balance available for purchase by placees under the Placing (subject always to achieving the Relevant Proportion). To the extent that the aggregate number of Ordinary Shares tendered exceeds the number of purchasers of Ordinary Shares under the Matching Purchase Facility, such excess shall be available for purchase under the Placing.
- 2.5 In the event that scaling of Ordinary Shares is required under paragraph 2.4 above or in order to achieve the Relevant Proportion, tenders will be scaled back on the following basis:
 - 2.5.1 first, each Shareholder who has tendered in excess of 40 per cent. of their holding of Ordinary Shares on the Register on the Record Date will be scaled back *pro rata* in proportion to the amount of the excess tendered; and
 - 2.5.2 second, to the extent that the total number of Ordinary Shares tendered is to be scaled back below 40 per cent. of the issued Ordinary Share capital as at the Record Date, by the same percentage amount amongst all tendering Shareholders.

3. Conditions and Suspension of Ordinary Share Tender Offer

3.1 The Ordinary Share Tender Offer is conditional on the following (together the “Ordinary Share Tender Conditions”):

3.1.1 the passing of the Resolution at the General Meeting by not later than 18 December 2009 or such later date as the Company and J.P. Morgan Cazenove may determine;

3.1.2 J.P. Morgan Cazenove being satisfied that the Company has sufficient distributable profits (within the meaning of section 830 of the 2006 Act) to effect the purchase of all the Ordinary Shares pursuant to the Repurchase Agreement;

3.1.3 the Company having complied with all of its obligations under the Repurchase Agreement and the Repurchase Agreement otherwise becoming or being declared unconditional, save insofar as the Repurchase Agreement is conditional on the Tender Offers becoming or being declared unconditional;

3.1.4 J.P. Morgan Cazenove being satisfied that the Company has in its control or to its order an amount equal to the aggregate amount payable under the Ordinary Share Tender Offer (being not less than the aggregate Ordinary Share Tender Price for all successfully tendered Ordinary Shares) and the Company having paid the same into a designated account in accordance with the terms of the Repurchase Agreement;

3.1.5 the Ordinary Share Tender Offer not having been terminated in accordance with paragraph 12 of this Part 5 prior to the fulfilment of the conditions referred to in sub-paragraphs 3.1.1 to 3.1.4 above; and

3.1.6 the ZDP Share Tender Offer not having been terminated in accordance with paragraph 12 of this Part 5.

3.2 J.P. Morgan Cazenove will not purchase (or enter into any commitment or contract to purchase) Ordinary Shares pursuant to the Ordinary Share Tender Offer unless the Ordinary Share Tender Conditions have been satisfied (or, where applicable, waived). If the Ordinary Share Tender Conditions are not satisfied (or, where applicable, waived) prior to the close of business on 18 December 2009, J.P. Morgan Cazenove may postpone completion of the Ordinary Share Tender Offer to such date as shall be agreed between J.P. Morgan Cazenove and the Company, after which time the Ordinary Share Tender Offer, if not then completed by reason of any of the Ordinary Share Tender Conditions not having been satisfied by then, will lapse.

4. Calculation of the Ordinary Share Tender Price

The Ordinary Share Tender Price will be calculated as follows:

4.1 The Ordinary Share Tender Price will be such amount as represents a discount of 5 per cent. to the Net Asset Value per Ordinary Share on the Calculation Date. The Company will calculate its Net Asset Value as at the Calculation Date which, for the purposes of the Ordinary Share Tender Offer, shall mean the value of all the assets less all the liabilities of the Company. Such Net Asset Value shall include accumulated undistributed revenue reserves and current period revenue after deduction of the third interim dividend declared on the date of this document and shall be calculated in accordance with the Company’s normal accounting policies. For this purpose the following bases of valuation shall be adopted:

4.1.1 the value of those investments of the Company which are listed, quoted or dealt in on a stock exchange shall be calculated by reference to the bid quotations or prices or the last trade prices recorded, as the case may be, as at 5.00 p.m. on the Calculation Date, provided that if no price is available then the relevant investment shall be deemed to come within paragraph 4.1.3 below and not this paragraph;

- 4.1.2 the value of unlisted investments shall be determined by the Directors in accordance with the Company's accounting policies;
- 4.1.3 the value of all other investments of the Company shall be calculated as being their fair realisable values as at 5.00 p.m. on the Calculation Date as determined by the Directors;
- 4.1.4 any value otherwise than in Sterling shall be converted at the rate (whether official or otherwise) which the Directors deem appropriate in the circumstances, having regard to any relevant conversion costs; and
- 4.1.5 an amount which reflects all other liabilities and obligations of the Company whatsoever (including a fair provision for any contingent liabilities (if any) but excluding liabilities under the Repurchase Agreement and Placing Agreement) or losses as at the Calculation Date shall be calculated as determined by the Directors.

No party shall be under liability by reason of the fact that a price reasonably believed to be the appropriate price for any listed or quoted or unlisted or unquoted investment may be found subsequently not to be such.

- 4.2 The resulting amount, calculated in accordance with paragraph 4.1 of this Part 5, will then be divided by the total number of Ordinary Shares in issue or deemed to be in issue on the Calculation Date and expressed in pence to four decimal places with 0.00005p being rounded downwards.
- 4.3 The Ordinary Share Tender Price will be the Sterling amount equivalent to 95 per cent. of the figure resulting from the application of paragraphs 4.1 and 4.2 of this Part 5 and expressed in pence to two decimal places with 0.005p being rounded downwards.
- 4.4 Except as otherwise stated in this paragraph 4, all assets and liabilities will be taken into account in accordance with UK generally accepted accounting principles and the Association of Investment Companies Statement of Recommended Practice and, subject thereto, consistently with the accounting policies of the Company in its audited accounts for the year ended 31 December 2008.

ZDP Share Tender Offer

5. Tenders under the ZDP Share Tender Offer

- 5.1 The ZDP Share Tender Offer will be made at the ZDP Share Tender Price being 156p per ZDP Share. The consideration for each tendered ZDP Share acquired by J.P. Morgan Cazenove pursuant to the ZDP Share Tender Offer will be paid in sterling in accordance with the settlement procedures set out in paragraph 9 of this Part 5.
- 5.2 Upon the ZDP Share Tender Offer becoming unconditional and unless the ZDP Share Tender Offer has been (and remains) suspended or has lapsed or has been terminated in accordance with the provisions of paragraph 12 of this Part 5, J.P. Morgan Cazenove will accept the tenders of ZDP Shareholders validly made in accordance with this Part 5, subject as mentioned in this Part 5, on the basis that each ZDP Shareholder (other than Excluded Overseas Shareholders) on the Register at the Record Date will be entitled to sell to J.P. Morgan Cazenove up to the whole of such ZDP Shareholder's holding of ZDP Shares entered on the Register as at the Record Date.
- 5.3 Tenders of ZDP Shares will be scaled back in accordance with the scaling process described in Part 3 of this document. A maximum number of ZDP Shares, representing 40 per cent. of the existing issued ZDP Shares will be acquired by J.P. Morgan Cazenove under the ZDP Share Tender Offer (after the operation of the Matching Purchase Facility and the Placing). Tenders of ZDP Shares in excess of 40 per cent. of the aggregate issued ZDP Share capital on the Register on the Record Date (unless purchased under the Matching Purchase Facility or the Placing) will be scaled back to such number of ZDP Shares as represents 40 per cent. of the aggregate issued ZDP Share capital on the Record Date. ZDP Shares tendered under the ZDP Share Tender Offer will be matched first with purchasers of ZDP Shares under the Matching Purchase Facility, with any balance available for purchase by placees under the Placing (subject always to achieving the Relevant Proportion as described in Part 3

of this document). To the extent that the aggregate number of ZDP Shares tendered exceeds the number of purchasers of ZDP Shares under the Matching Purchase Facility, such excess shall be available for purchase under the Placing.

- 5.4 In the event that the number of ZDP Shares required to achieve the Relevant Proportion at the gross redemption yield selected for the ZDP Shares following implementation of the Proposals (the “**GRY Number**”), is less than the number of ZDP Shares tendered for sale to J.P. Morgan Cazenove under the ZDP Share Tender Offer then any excess tenders after having scaled back applications for ZDP Shares under (i) the Placing and (ii) the Matching Purchase Facility, will be scaled back *pro rata* such that the aggregate number of ZDP Shares to be tendered shall equal (as nearly as practicable after rounding down entitlements to the nearest ZDP Share) the GRY Number.
- 5.5 In the event that scaling of ZDP Shares is required under paragraph 5.4 above, tenders will be scaled back on the following basis:
- 5.5.1 first, each ZDP Shareholder who has tendered in excess of 40 per cent. of their holding of ZDP Shares on the Register on the Record Date will be scaled back *pro rata* in proportion to the amount of the excess tendered; and
- 5.5.2 second, to the extent that the total number of ZDP Shares tendered is to be scaled back at or below 40 per cent. of the issued ZDP Share capital as at the Record Date, by the same percentage amount amongst all tendering Shareholders.

6. Conditions and Suspension of ZDP Share Tender Offer

- 6.1 The ZDP Share Tender Offer is conditional on the following (together the “ZDP Share Tender Conditions”):
- 6.1.1 the passing of the Resolutions at the Shareholder Meetings by not later than 18 December 2009 or such later date as the Company and J.P. Morgan Cazenove may determine;
- 6.1.2 J.P. Morgan Cazenove being satisfied that the Company has sufficient distributable profits (as defined in section 830 of the 2006 Act) to effect the purchase of all the ZDP Shares pursuant to the Repurchase Agreement;
- 6.1.3 the Company having complied with all of its obligations under the Repurchase Agreement and the Repurchase Agreement otherwise becoming or being declared unconditional, save insofar as the Repurchase Agreement is conditional on the Tender Offers becoming or being declared unconditional;
- 6.1.4 J.P. Morgan Cazenove being satisfied that the Company has in its control or to its order an amount equal to the aggregate amount payable under the ZDP Share Tender Offer (being not less than the aggregate ZDP Share Tender Price for all successfully tendered ZDP Shares) less the net proceeds received by the Company in respect of the Matching Purchase Facility and Placing (if any) and the Company having paid the same into a designated account in accordance with the terms of the Repurchase Agreement;
- 6.1.5 the ZDP Share Tender Offer not having been terminated in accordance with paragraph 12 of this Part 5 prior to the fulfilment of the conditions referred to in sub-paragraphs 6.1.1 to 6.1.4 above; and
- 6.1.6 the Ordinary Share Tender Offer not having been terminated in accordance with paragraph 12 of this Part 5.
- 6.2 J.P. Morgan Cazenove will not purchase (or enter into any commitment or contract to purchase) ZDP Shares pursuant to the ZDP Share Tender Offer unless the ZDP Share Tender Conditions have been satisfied (or, where applicable, waived). If the ZDP Share Tender Conditions are not satisfied (or, where applicable, waived) prior to the close of business on 18 December 2009, J.P. Morgan Cazenove may postpone completion of the ZDP Share Tender Offer to such date as shall be agreed between

J.P. Morgan Cazenove and the Company, after which time the ZDP Share Tender Offer, if not then completed by reason of any of the ZDP Share Tender Conditions not having been satisfied by then, will lapse.

7. The ZDP Share Tender Price

The ZDP Share Tender Price will be 156p per ZDP Share, which will represent a premium to the Net Asset Value per ZDP Share on the Calculation Date of 3.1 per cent.

8. Procedure for Tendering Shares under the Tender Offer

Shareholders who hold their Shares in certificated form (that is, not in CREST) must complete, sign and return the relevant Tender Form accompanying this document in accordance with this paragraph 8 and the instructions printed on the Tender Form, which shall be deemed to form part of the relevant Tender Offer in order to tender Shares.

8.1 *Completion of Tender Forms and TTE Instructions*

Shareholders who hold their Shares in certificated form will find an Ordinary Share Tender Form and/or a ZDP Share Tender Form enclosed with this document. To participate in the Tender Offers, you must complete the relevant Tender Form which accompanies this document. Details of the procedures to be followed are set out in the Tender Forms. If you hold Ordinary Shares and/or ZDP Shares in both certificated and uncertificated form, you should complete a Tender Form for the holding held in certificated form and a TTE Instruction in respect of the holding held in uncertificated form. In addition, you should complete separate TTE Instructions for Ordinary Shares and/or ZDP Shares held in uncertificated form but under different member account IDs. You should complete separate Tender Forms for Ordinary Shares and/or ZDP Shares held in certificated form but under different designations. Ordinary Shareholders should complete an Ordinary Share Tender Form and ZDP Shareholders should complete a ZDP Share Tender Form.

Additional Tender Forms are available from Capita Registrars on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9:00 a.m. to 5:00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

8.2 *Return of Tender Forms and TTE Instructions*

The completed and signed Tender Forms should be sent either by post or by hand (during normal business hours only) to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU **as soon as possible and, in any event, so as to be received not later than 1.00 p.m. on 15 December 2009**. A reply-paid envelope for use within the UK is enclosed with this document. No acknowledgement of receipt of documents will be given. Any Tender Form received in an envelope postmarked in a Restricted Territory or otherwise appearing to J.P. Morgan Cazenove or its agents to have been sent from a Restricted Territory may be rejected as an invalid tender. Further provisions relating to Overseas Shareholders are contained in paragraph 14 of this Part 5.

Shareholders who hold their Shares in uncertificated form should submit a TTE Instruction so as to be received by Capita Registrars by no later than 1.00 p.m. on 15 December 2009.

By signing the Tender Form or submitting a TTE Instruction, Shareholders will be deemed to have appointed J.P. Morgan Cazenove as agent in respect of settlement of the purchase of Shares by J.P. Morgan Cazenove. Accordingly, (i) the Registrar, acting as receiving agent for the Company, will effect such procedures as are required to transfer the Shares to J.P. Morgan Cazenove under the Tender

Offers; and (ii) J.P. Morgan Cazenove will issue a contract note on behalf of tendering Shareholders and will remit the cash consideration to the Registrar with instructions that such consideration be remitted in accordance with the instructions set out in the Tender Forms and the TTE Instructions.

8.2.1 *Shares held in certificated form (that is, not in CREST)*

The completed and signed Tender Form(s) should be accompanied by the relevant share certificate(s) and/or other document(s) of title. If your share certificate(s) and/or other document(s) of title are not readily available (for example, if they are with your stockbroker, bank or other agent), the Tender Form(s) should nevertheless be completed, signed and returned as described above so as to be received by Capita Registrars not later than 1.00 p.m. on 15 December 2009 together with any share certificate(s) and/or other document(s) of title that you may have available, accompanied by a letter of explanation stating that the (remaining) Share certificate(s) and/or other documents(s) of title will be forwarded as soon as possible thereafter and, in any event, not later than 1.00 p.m. on 15 December 2009. If you have lost your Share certificate(s) and/or other document(s) of title, you should write to Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0LA for a letter of indemnity in respect of the lost Share certificate(s) which, when completed in accordance with the instructions given, should be returned to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not later than 1.00 p.m. on 15 December 2009.

8.2.2 *Shares held in uncertificated form (that is, in CREST)*

If the Shares which you wish to tender are held in uncertificated form you should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Shares which you wish to tender under the relevant Tender Offer to an escrow balance, specifying Capita Registrars (in its capacity as a CREST Receiving Agent under its participant ID referred to below) as the escrow agent, **as soon as possible and in any event so that the transfer to escrow settles not later than 1.00 p.m. on 15 December 2009**. J.P. Morgan Cazenove shall be entitled, in its absolute discretion, to accept late transfers to escrow.

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to the Shares which you wish to tender. You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specification and which must contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

Ordinary Shares

- the number of Ordinary Shares to be transferred to an escrow balance;
- your member account ID;
- your participant ID;
- the participant ID of the escrow agent for the Ordinary Shares, the Receiving Agent, in its capacity as a CREST Receiving Agent. This is RA10;
- the member account ID of the escrow agent for the Ordinary Shares, the Receiving Agent. This is 26918ORD;
- the Corporate Action Number for the Tender Offers. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow. This should be as soon as possible and in any event no later than 1:00 p.m. on 15 December 2009;

- the corporate action ISIN of the Ordinary Shares, which is GB0033537902;
- the input with the standard TTE delivery instruction priority 80; and
- a contact telephone number inserted in the shared note field.

ZDP Shares

- the number of ZDP Shares to be transferred to an escrow balance;
- your member account ID;
- your participant ID;
- the participant ID of the escrow agent for the ZDP Shares, the Receiving Agent, in its capacity as a CREST Receiving Agent. This is RA10;
- the member account ID of the escrow agent for the ZDP Shares, the Receiving Agent. This is dependent on the GRY level below which you wish to tender at. The different member account IDs are as follows:
 - 4.25 per cent. GRY: 26918425
 - 4.50 per cent. GRY: 26918450
 - 4.75 per cent. GRY: 26918475
 - 5.0 per cent. GRY: 26918500
 - 5.25 per cent. GRY: 26918525
 - 5.50 per cent. GRY: 26918550
 - 5.75 per cent. GRY: 26918575
 - 6.0 per cent. GRY: 26918600
 - 6.25 per cent. GRY: 26918625
 - 6.50 per cent. GRY: 26918650
 - 6.75 per cent. GRY: 26918675
 - 7.0 per cent. GRY: 26918700
 - 7.25 per cent. GRY: 26918725
 - 7.50 per cent. GRY: 26918750
- the Corporate Action Number for the Tender Offers. This is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow. This should be as soon as possible and in any event no later than 1:00 p.m. on 15 December 2009;
- the corporate action ISIN of the ZDP Shares, which is GB0033538207;
- the input with the standard TTE delivery instruction priority 80; and
- a contact telephone number inserted in the shared note field.

After settlement of the TTE Instruction, you will not be able to access the Shares concerned in CREST for any transaction or for charging purposes, notwithstanding they will be held by Capita Registrars as escrow agent to the Tender Offers, until completion or lapsing of the Tender Offers. If the Tender Offers become unconditional, Capita Registrars will transfer the Shares which are accepted for purchase by J.P. Morgan Cazenove to itself.

You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined above.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore

apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a TTE Instruction relating to your Shares to settle prior to 1:00 p.m. on 15 December 2009. In this connection you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

An appropriate announcement will be made if any of the details contained in this paragraph 8.2 are altered.

8.3 *Deposits of Shares into, and withdrawals of Shares from, CREST*

Normal CREST procedures (including timings) apply in relation to any Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Tender Offers (whether such conversion arises as a result of a transfer of Shares or otherwise). Shareholders who are proposing to convert any such Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Shares as a result of the conversion to take all necessary steps in connection with such person's participation in the Tender Offers (in particular, as regards delivery of share certificates and/or other documents of title or transfers to an escrow balance as described above) prior to 1:00 p.m. on 15 December 2009.

8.4 *Validity of Tender Forms*

Notwithstanding the powers in paragraph 11 below J.P. Morgan Cazenove reserves the right to treat as valid only Tender Forms which are received entirely in order by 1:00 p.m. on 15 December 2009 and which are accompanied (in the case of Shares held in certificated form) by the relevant share certificates and/or other document(s) of titles or a satisfactory indemnity in lieu thereof or (in the case of Shares held in uncertificated form) by the relevant TTE Instruction, in each case in respect of the entire number of Shares tendered. The Record Date for the Tender Offers is 5.00 p.m. on 15 December 2009.

Notwithstanding the completion of a valid Tender Form, the Tender Offers may be suspended, terminated or lapsed in accordance with the Terms and Conditions set out in this Part 5.

The decision of J.P. Morgan Cazenove as to which Shares have been validly tendered shall be conclusive and binding on all Shareholders.

If you are in any doubt as to how to complete the Tender Forms or as to the procedure for tendering Ordinary Shares and/or ZDP Shares, please contact Capita Registrars on 0871 664 0321 from within the UK or on +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9:00 a.m. to 5:00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

9. Settlement

9.1 Unless terminated in accordance with the provisions of this Part 5, the Tender Offers will close at 1:00 p.m. on 15 December 2009 and it is expected that, on 18 December 2009, the Company will make a public announcement of the total number of Ordinary Shares and ZDP Shares tendered and, if applicable, the extent to which tenders will be scaled back to achieve the Relevant Proportion.

9.2 Settlement of the consideration to which any Shareholder is entitled pursuant to valid tenders accepted by J.P. Morgan Cazenove is expected to be made (with any fractions of a penny rounded down) as soon as practicable after the Conditions under paragraphs 3 and 6 are satisfied or waived as follows:

9.2.1 *Shares held in certificated form (that is, not in CREST)*

Where an accepted tender relates to Ordinary Shares and/or ZDP Shares held in certificated form cheques for the consideration due will be despatched on, or as soon as practicable after, 29 December 2009 by first class post to the person or agent whose name and address is set out in Box 4A (or, if relevant, Box 4B) of the Tender Form or, if none is set out, to the registered address of the tendering Shareholder or, in the case of joint holders, the address of the first named. All cash payments will be made in pounds sterling by cheque drawn on a branch of a UK clearing bank.

9.2.2 *Shares held in uncertificated form (that is, in CREST)*

Where an accepted tender relates to Ordinary Shares and/or ZDP Shares held in uncertificated form, the consideration due will be paid by means of CREST by Capita Registrars procuring the creation of a CREST payment in favour of the tendering Shareholder's payment bank in accordance with the CREST payment arrangements.

9.3 Delivery of cash to Shareholders for the Ordinary Shares and/or ZDP Shares to be purchased pursuant to the Tender Offers will be made by the Receiving Agent. The Receiving Agent will act as receiving agent for the purpose of receiving the cash and transmitting such cash to be paid by the Company, J.P. Morgan Cazenove or the Receiving Agent. Under no circumstances will interest be paid on the cash to be paid by the Company, J.P. Morgan Cazenove or the Receiving Agent regardless of any delay in making such payment.

9.4 If only a part of a holding of Ordinary Shares and/or ZDP Shares is sold pursuant to the Tender Offers (whether pursuant to scaling back tenders or otherwise):

9.4.1 where the Ordinary Shares and/or ZDP Shares are held in certificated form, the relevant Shareholder will be entitled to receive a certificate in respect of the balance of the remaining Ordinary Shares and/or ZDP Shares; or

9.4.2 where the Ordinary Shares and/or ZDP Shares are held in uncertificated form (that is, in CREST), the unsold Ordinary Shares and/or ZDP Shares will be transferred by the Receiving Agent by means of a TFE Instruction to the original available balance from which Ordinary Shares and/or ZDP Shares came.

9.5 The payment of consideration for Ordinary Shares and/or ZDP Shares pursuant to the Tender Offers will be made only after timely receipt by the Receiving Agent of a properly completed and duly executed Tender Form and any documents required by the Tender Form (including, in the case of Shares held in certificated form, share certificate(s) and/or other documents of title or a satisfactory indemnity in lieu thereof) and, in the case of Shares held in uncertificated form, the relevant TFE Instruction has settled. In the case of Shares held in uncertificated form, payment of the consideration for Ordinary Shares and/or ZDP Shares pursuant to the Tender Offers will be made only once.

10. Tender Form Representations and Warranties

Each Shareholder by whom, or on whose behalf, a Tender Form is executed irrevocably undertakes, represents, warrants and agrees to and with J.P. Morgan Cazenove for itself and as trustee for the Company (so as to bind them, their personal representatives, heirs, successors and assigns) that:

10.1 the execution of a Tender Form shall constitute an offer to sell to J.P. Morgan Cazenove such number of Ordinary Shares and/or ZDP Shares inserted in either Box 2A or Box 2B of the relevant Tender Form or deemed (in accordance with paragraph 11 of this Part 5) to be tendered, in each case, on and subject to the terms and conditions set out or referred to in this document and the Tender Form and that, once lodged, such offer shall be irrevocable;

10.2 such Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares and/or ZDP Shares in respect of which such offer is accepted (together with all rights attaching thereto) and, when the same are purchased by J.P. Morgan Cazenove, J.P. Morgan Cazenove will

acquire such Ordinary Shares and/or ZDP Shares with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after 18 December 2009 including the right to receive all dividends and other distributions declared after that date save for the third interim dividend. For the avoidance of doubt, the third interim dividend declared as at the date of this document shall be paid to holders of Ordinary Shares on the Register on 4 December 2009 and paid on 31 December 2009;

- 10.3 the execution of a Tender Form will, subject to the Tender Offers becoming unconditional, constitute the irrevocable appointment of any director or officer of J.P. Morgan Cazenove as such Shareholder's attorney and/or agent ("attorney"), and an irrevocable instruction to the attorney to complete and execute all or any instruments of transfer and/or other documents at the attorney's discretion in relation to the Ordinary Shares and/or ZDP Shares referred to in sub-paragraph 10.1 above in favour of J.P. Morgan Cazenove or such other person or persons as J.P. Morgan Cazenove may direct and to deliver such instrument(s) of transfer and/or other documents at the discretion of the attorney, together with the Share certificate(s) and/or other document(s) relating to such Ordinary Shares and/or ZDP Shares, for registration within six months of the Tender Offers becoming unconditional and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Tender Offers and to vest in J.P. Morgan Cazenove or its nominee(s) or such other person(s) as J.P. Morgan Cazenove may direct such Ordinary Shares and/or ZDP Shares;
- 10.4 such Shareholder agrees to ratify and confirm each and every act or thing which may be done or effected by J.P. Morgan Cazenove or any of its directors or any person nominated by J.P. Morgan Cazenove in the proper exercise of its or his or her powers and/or authorities under the terms and conditions of the Tender Offers set out in this Part 5;
- 10.5 if holding Ordinary Shares and/or ZDP Shares in certificated form, such Shareholder will deliver to the Registrar their Share certificate(s) and/or other document(s) of title in respect of the Ordinary Shares and/or ZDP Shares referred to in sub-paragraph 10.1 above, or an indemnity acceptable to J.P. Morgan Cazenove in lieu thereof, or will procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, no later than 1.00 p.m. on 15 December 2009;
- 10.6 if holding Shares in uncertificated form, such Shareholder will take, or procure to be taken, the action set out in paragraph 8.2 of this Part 5 to transfer such Ordinary Shares and/or ZDP Shares to an escrow balance as soon as possible and, in any event, not later than 1.00 p.m. on 15 December 2009;
- 10.7 such Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by J.P. Morgan Cazenove to be desirable, in each case to complete the purchase of the Ordinary Shares and/or ZDP Shares and/or to perfect any of the authorities expressed to be given under the terms and conditions of the Tender Offers set out in this Part 5;
- 10.8 such Shareholder has not received or sent copies or originals of this document, the Tender Form or any related documents in or into a Restricted Territory and has not otherwise utilised in connection with the Tender Offers, directly or indirectly, the mails or any means or instrumentality (including, without limitation, facsimile transmission, email, other electronic transmission and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of a Restricted Territory, that the Tender Form has not been mailed or otherwise sent in, into or from a Restricted Territory and that such Shareholder is not accepting the Tender Offer(s) from a Restricted Territory;
- 10.9 such Shareholder, if a citizen or national of, or resident in, any jurisdiction outside the United Kingdom has fully observed any applicable legal and regulatory requirements of the territory in which such Overseas Shareholder is resident or located and that the invitation under the Tender Offers may be made to them under the laws of the relevant jurisdiction;
- 10.10 the provisions of the Tender Forms shall be deemed to be incorporated into the terms and conditions of the relevant Tender Offer;

- 10.11 in the case of Ordinary Shares and/or ZDP Shares in certificated form, the despatch of a cheque in respect of the Tender Price to such Shareholder at his or her registered address or such other address as is specified in the relevant Tender Form will constitute a complete discharge by J.P. Morgan Cazenove of its obligations to make such payment to such Shareholder;
- 10.12 each Shareholder who tenders or procures the tender of Shares will thereby be deemed to have agreed that, in consideration of J.P. Morgan Cazenove agreeing to process their tender, such Shareholder will not revoke their tender or withdraw their Shares. Shareholders should note that once tendered Shares may not be sold, transferred, charged or otherwise disposed of;
- 10.13 in the case of Ordinary Shares and/or ZDP Shares held in uncertificated form (that is, in CREST) the creation of a CREST payment in favour of such Shareholder's payment bank in accordance with the CREST payment arrangements as referred to in paragraph 8.2.2 will, to the extent of the obligations so created, discharge fully any obligation of J.P. Morgan Cazenove to pay to such Shareholder the cash consideration to which he is entitled under the Tender Offers;
- 10.14 on execution, the Tender Form takes effect as a deed; and
- 10.15 the execution of the Tender Form constitutes such Shareholder's submission to the jurisdiction of the courts of England in relation to all matters arising out of or in connection with the Tender Offers or the Tender Form.

A reference in this paragraph 10 to a Shareholder includes a reference to the person or persons executing the Tender Form and in the event of more than one person executing a Tender Form, the provisions of this paragraph will apply to them jointly and to each of them.

11. Additional Provisions

- 11.1 Each Shareholder may tender some or all of their holding of Ordinary Shares and/or ZDP Shares as at the Record Date subject to scaling back tenders of Ordinary Shares and/or ZDP Shares on the basis set out in paragraphs 2 and 5 of this Part 5. If (i) none of Box 2A or 2B of the relevant Tender Form is completed; or (ii) if in J.P. Morgan Cazenove's determination (in its absolute discretion) Box 2 has not been validly completed (for example, if both Box 2A and Box 2B has been completed); provided that the Tender Form is otherwise in order and accompanied by all other relevant documents, the tender will be deemed to be in respect of all the Ordinary Shares and/or ZDP Shares which are evidenced by the share certificate(s) and/or other document(s) of title or indemnity in lieu thereof accompanying the relevant Tender Form (if the Ordinary Shares and/or ZDP Shares are in certificated form) may be accepted as a valid tender in respect of the whole of the tendering Shareholder's holding of Ordinary Shares and/or ZDP Shares and will be deemed to have elected to tender all of their holding regardless of the level at which the GRY is set. In the case of a tender of ZDP Shares which does not adequately indicate a GRY below which the Shareholder wishes to tender his or her Shares, such Shareholder shall be deemed to have selected to tender his or her Shares regardless of the GRY set on the ZDP Shares provided that the Tender Form is accompanied by all and relevant documents and is in all other respects in order.
- 11.2 ZDP Shareholders who do not return a Tender Form will be deemed to have elected to remain invested in the Company regardless of the level at which the GRY is set.
- 11.3 Shares acquired by J.P. Morgan Cazenove under the Tender Offers will be purchased by J.P. Morgan Cazenove as principal and will be market purchases in accordance with the rules of the London Stock Exchange and the UK Listing Authority.
- 11.4 Shares sold by Shareholders pursuant to the Tender Offers will be acquired by J.P. Morgan Cazenove with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after 18 December 2009 (save for the third interim dividend declared on the date of this document and payable to Ordinary Shareholders on the Register on 4 December 2009 and payable on 31 December 2009).

- 11.5 Unless lapsed, suspended or terminated in accordance with the provisions of this Part 5, the Tender Offers will close at 1.00 p.m. on 15 December 2009 and it is expected that, by 18 December 2009, the Company will make a public announcement through a Regulatory Information Service of the results of the Tender Offers including:
- (i) the total number of Ordinary Shares and ZDP Shares tendered which will be purchased by J.P. Morgan Cazenove from Shareholders who have tendered Shares;
 - (ii) the level at which the gross redemption yield relating to the ZDP Shares will be set;
 - (iii) if applicable, the proportion of tendered Ordinary Shares and/or ZDP Shares which will be sold by J.P. Morgan Cazenove to applicants under the Matching Purchase Facility and the Placing; and
 - (iv) the Ordinary Share Tender Price.
- 11.6 Any omission to despatch this document or the Tender Form or any notice required to be despatched under the terms of the Tender Offers to, or any failure to receive the same by, any person entitled to participate in the Tender Offers shall not invalidate the Tender Offers in any way or create any implication that the Tender Offers have not been made to any such person.
- 11.7 No acknowledgement of receipt of any Tender Form(s), share certificate(s) and/or document(s) of title, or indemnity in lieu thereof, will be given. All communications, notices, certificates, documents of title, indemnities and remittances to be delivered by or sent to or from Shareholders (or their designated agents) will be delivered by or sent to or from such Shareholders (or their designated agents) at their own risk.
- 11.8 All powers of attorney and authorities on the terms conferred by or referred to in this Part 5 or in the Tender Forms are given by way of security for the performance of the obligations of the Shareholders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.
- 11.9 All tenders must be made on the prescribed Tender Forms, duly completed in accordance with the instructions set out thereon which constitute part of the terms of each of the Tender Offers. A Tender Form will only be valid when the procedures contained in the terms and conditions in this Part 5 and in the Tender Form are complied with. The Tender Offers and all tenders will be governed by and construed in accordance with English law. Delivery or posting of a Tender Form will constitute submission to the jurisdiction of the English courts.
- 11.10 If the Tender Offers do not become unconditional, lapse or are terminated, all documents lodged pursuant to the Tender Offers will be returned promptly by post, within 14 business days of the Tender Offers lapsing or terminating, to the person or agent whose name and address is set out in Box 3 or if applicable Box 4 of the Tender Form or, if none is set out, to the tendering Shareholder or, in the case of joint holders, the first named at their registered address. In the case of Shares held in uncertificated form, the Receiving Agent in their capacity as the escrow agent will, within 14 business days of the Tender Offers lapsing, give instructions to Euroclear to transfer all Shares held in escrow balances and in relation to which it is the escrow agent for the purposes of the Tender Offers by TFE Instruction to the original available balances from which those Shares came. In any of these circumstances the Tender Forms will cease to have any effect.
- 11.11 The instructions, terms, provisions and authorities contained in or deemed to be incorporated in the Tender Forms shall constitute part of the terms of the Tender Offers. The definitions set out in this document apply to the terms and conditions set out in this Part 5.
- 11.12 Subject to paragraphs 13.4 and 14 below, the Tender Offers are open to Ordinary Shareholders and ZDP Shareholders on the Register on the Record Date, and will close at 1.00 p.m. on 15 December 2009. Tender Forms, share certificates and/or other documents of title or indemnity or TTE Instructions received after that time may be accepted only as the Company and J.P. Morgan Cazenove in their absolute discretion agree.

- 11.13 If a Shareholder holding Ordinary Shares and/or ZDP Shares in certificated form does not return their share certificate(s) and/or other documents of title in respect of all the tendered Ordinary Shares and/or ZDP Shares, or an indemnity acceptable to J.P. Morgan Cazenove in lieu thereof, by 1.00 p.m. on 15 December 2009, J.P. Morgan Cazenove may deem (in its absolute discretion) that such Shareholder has only tendered the number of Shares in respect of which share certificates and/or other documents of title, or an indemnity acceptable to J.P. Morgan Cazenove in lieu thereof, have been received.
- 11.14 The decision of J.P. Morgan Cazenove as to which Ordinary Shares and/or ZDP Shares have been successfully tendered shall be conclusive and binding on all Shareholders.
- 11.15 Further copies of this document and the Tender Forms may be obtained on request from the Registrars and J.P. Morgan Cazenove at the addresses set out on the front of each of the Tender Forms.

12. Termination of the Tender Offers

If the Company (acting by the Directors) shall at any time prior to J.P. Morgan Cazenove effecting the purchase as principal of the tendered Shares pursuant to the terms of the Tender Offers notify J.P. Morgan Cazenove in writing that (i) as a result of any change in national or international financial, economic, political or market conditions, the cost of realisation of the assets to raise finance to enable it to fund the purchase of Shares pursuant to the Repurchase Agreement has become prohibitively expensive; or (ii) in its opinion the completion of the purchase of Shares under the Tender Offers would have unexpected adverse fiscal consequences (whether by reason of a change in legislation or practice or otherwise) for the Company or its Shareholders if the Tender Offers were to proceed, J.P. Morgan Cazenove shall be entitled at its complete discretion either (i) to terminate the Tender Offers by written notice to the Company or (ii) postpone the Calculation Date and/or the completion of the Tender Offers for up to 30 business days after which, if then not completed, the Tender Offers shall lapse.

13. Miscellaneous

- 13.1 Any changes to the terms, or any suspension, extension or termination, of the Tender Offers will be followed as promptly as practicable by a public announcement thereof no later than 1.00 p.m. on the business day following the date of their occurrence. Such an announcement will be notified to a Regulatory Information Service provider. References to the making of an announcement by the Company include the release of an announcement on behalf of the Company by J.P. Morgan Cazenove to the press and delivery, by telephone or facsimile or other electronic transmission, of such announcement to a Regulatory Information Service.
- 13.2 Tendering Shareholders will not be obliged to pay brokerage fees, commissions or transfer taxes or stamp duty in the UK on the purchase by J.P. Morgan Cazenove of Shares pursuant to the Tender Offers. The stamp duty costs on repurchase will be borne by the Company.
- 13.3 Except as contained in this document, no person has been authorised to give any information or make any representations with respect to the Company or the Tender Offers and, if given or made, such other information or representations should not be relied on as having been authorised by J.P. Morgan Cazenove or the Company. Under no circumstances should the delivery of this document or the delivery of any consideration pursuant to the Tender Offers create any implication that there has been no change in the assets, properties, business or affairs of the Company since the date of this document.
- 13.4 J.P. Morgan Cazenove reserves the absolute right to inspect (either itself or through its agents) all Tender Forms and may consider void and reject any tender that does not in J.P. Morgan Cazenove's sole judgment (acting reasonably) meet the requirements of the Tender Offers. J.P. Morgan Cazenove reserves the absolute right to waive any defect or irregularity in the tender of any Shares, including any Tender Form (in whole or in part) which is not entirely in order or which is not accompanied by (in the case of Shares held in uncertificated form) the relevant TTE Instruction or, (in the case of Shares held in certificated form) the related Share certificate(s) and/or other document(s) of title or any indemnity acceptable to J.P. Morgan Cazenove in lieu thereof. In that event, however for Shares

held in certificated form, the consideration under the Tender Offers will only be despatched when the Tender Form is entirely in order and the Share certificate(s) or other document(s) of title or indemnities satisfactory to J.P. Morgan Cazenove has/have been received. Neither J.P. Morgan Cazenove, the Company nor the Registrar or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification.

- 13.5 Shares purchased pursuant to the Tender Offers remaining following completion of the Matching Purchase Facility and the Placing will be acquired from J.P. Morgan Cazenove by the Company on the London Stock Exchange pursuant to the Repurchase Agreement for cancellation.
- 13.6 Without prejudice to the generality of paragraph 13.4 above, in relation to any discretion or determination exercised or not exercised by J.P. Morgan Cazenove and/or the Company for the purposes of the Tender Offers, neither J.P. Morgan Cazenove nor the Company shall have any liability to any person as a result of such exercise or non-exercise.
- 13.7 The provisions of the Contracts (Rights of Third Parties) Act 1999 do not apply to this document or the Tender Forms.

14. Overseas Shareholders

- 14.1 The making of the Tender Offers in or to persons who are citizens or nationals of, or resident in, jurisdictions outside the United Kingdom or custodians, nominees or trustees for citizens, nationals or residents of jurisdictions outside the United Kingdom may be prohibited or affected by the laws of the relevant overseas jurisdiction. Shareholders who are outside the United Kingdom should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Shareholders wishing to tender Shares to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes or other requisite payments due in such jurisdiction. Any such Shareholder will be responsible for payment of any such transfer or other taxes or other requisite payments due by whomsoever payable and J.P. Morgan Cazenove and the Company and any person acting on their behalf shall be fully indemnified and held harmless by such Shareholder for any such transfer or other taxes or other requisite payments such person may be required to pay. No steps have been taken to qualify the Tender Offers or to authorise the extending of the Tender Offers or the distribution of the Tender Forms in any territory outside the United Kingdom.
- 14.2 In particular, the Tender Offers are not being made, directly or indirectly, in or into, or by use of the mails, or by any means or instrumentality (including, without limitation, facsimile transmission, email or other electronic transmission and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of a Restricted Territory and the Tender Offers cannot be accepted by any such use, means, instrumentality or facility or otherwise from within a Restricted Territory. Accordingly, the Tender Form and any related documents are not being and must not be mailed or otherwise distributed or sent in or into a Restricted Territory, including to Shareholders with registered addresses in a Restricted Territory or to persons whom J.P. Morgan Cazenove knows to be custodians, nominees or trustees holding Shares for persons in a Restricted Territory. Receipt of this document and/or a Tender Form will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer, and in those circumstances this document and/or a Tender Form will be deemed to have been sent for information only and should not be copied or redistributed. Persons receiving such documents (including, without limitation, custodians nominees or trustees) or wishing to accept the Tender Offers should not distribute or send them in, into or from a Restricted Territory or use such mails or any such means, instrumentality or facility or otherwise in connection with the Tender Offers, and so doing will render invalid any related purported acceptance of the Tender Offers. All tendering Shareholders must provide addresses outside a Restricted Territory for the remittance of cash or the return of documents lodged pursuant to the Tender Offers.

- 14.3 A Shareholder will be deemed not to have tendered Shares under the Tender Offers if:
- (i) such Shareholder is unable to make the representations and warranties set out in paragraphs 10.8 and 10.9 of Part 5 this document;
 - (ii) such Shareholder completes a Tender Form with an address in a Restricted Territory or has a registered address in a Restricted Territory and, in either case, such Shareholder does not insert in the relevant Tender Form the name and address of a person or agent outside a Restricted Territory to whom he wishes the consideration to which he is entitled under the Tender Offers to be sent, subject to the provisions of this paragraph and the applicable laws;
 - (iii) such Shareholder inserts in the relevant Tender Form the name and address of a person or agent in a Restricted Territory to whom they wish the consideration to which such Shareholder is entitled under the Tender Offers to be sent; or
 - (iv) the relevant Tender Form received from them is in an envelope postmarked in, or which otherwise appears to J.P. Morgan Cazenove or its agents to have been sent from, a Restricted Territory.

J.P. Morgan Cazenove reserves the right, in its absolute discretion, to investigate, in relation to any tender, whether the representation and warranty referred to in paragraphs 10.8 and 10.9 of Part 5 of this document given by any Shareholder is correct and, if such investigation is undertaken and as a result J.P. Morgan Cazenove determines (for any reason) that such representation and warranty is not correct, such tender shall not be valid.

- 14.4 If, in connection with making the Tender Offers, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees) whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Tender Forms or any related offering documents in, into or from a Restricted Territory or uses the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, email or other electronic transmission and telephone) of interstate or foreign commerce of, or any facility of a national securities exchange of, a Restricted Territory in connection with such forwarding, such persons should (i) inform the recipient of such fact (ii) explain to the recipient that such action may invalidate any purported tender by the recipient; and (iii) draw the attention of the recipient to this paragraph 14.
- 14.5 The provisions of this paragraph 14 and any other terms of the Tender Offers relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by J.P. Morgan Cazenove in its absolute discretion but only if J.P. Morgan Cazenove is satisfied that such waiver, variance or modification will not constitute or give rise to a breach of applicable securities or other legal or regulatory requirements.
- 14.6 The provisions of this paragraph 14 supersede any terms of the Tender Offers inconsistent herewith.
- 14.7 Excluded Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. The comments set out in this document are intended as a general guide only and if you are in doubt about your position, you should consult your professional adviser in the relevant territory.

15. Matching Purchase Facility

- 15.1 All Shareholders on the Register at the Record Date may participate in the Matching Purchase Facility.
- 15.2 The availability of the Matching Purchase Facility is conditional upon the passing of the Resolutions at the Shareholder Meetings and will be operated only if both of the Tender Offers are implemented.
- 15.3 The price at which Ordinary Shares placed under the Matching Purchase Facility will be acquired will be the Ordinary Share Purchase Price.

- 15.4 The price at which ZDP Shares placed under the Matching Purchase Facility will be acquired will be the ZDP Share Purchase Price.
- 15.5 Only Shareholders may purchase Shares under the Matching Purchase Facility, subject to restrictions in respect of certain Overseas Shareholders as described in the Purchase Forms.
- 15.6 To participate in the Matching Purchase Facility, Shareholders must complete, sign and return the relevant Purchase Form in accordance with the instructions printed on the respective Purchase Forms, which shall be deemed to form part of the Matching Purchase Facility.
- 15.7 Each Shareholder by whom, or on whose behalf, a Purchase Form is executed, irrevocably undertakes, represents, warrants and agrees to and with J.P. Morgan Cazenove (for itself and as trustee for the Company) (so as to bind his personal representatives, heirs, successor and assigns) that the execution of the relevant Purchase Form shall constitute acceptance of the terms and conditions contained therein. By such execution the Shareholder shall also be deemed to have made the representations and warranties contained therein.
- 15.8 Applications under the Matching Purchase Facility must be for a minimum in value of £1,000 and thereafter in multiples of £1,000. In the event that applications under the Matching Purchase Facility are received for more than the maximum number of Ordinary Shares and/or ZDP Shares available, then applications will be scaled back on the basis set out in Part 3 of this document. Applications for Shares under the Matching Purchase Facility must be received by Capita Registrars by 1.00 p.m. on 10 December 2009.
- 15.9 A cheque or banker's draft for the exact amount shown in Box 2 must be attached to your completed Purchase Form. Your cheque or banker's draft must be made payable to "Capita Registrars – PEWT Purchase Offer" and crossed "A/C Payee". Your payment must relate solely to this application. No receipt will be issued.
- 15.10 All payments must be made by cheque or banker's draft in pounds sterling drawn on a branch of a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque & Credit Clearing Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for the members of either of those companies and must bear the appropriate sorting code number in the top right hand corner. Cheques must be drawn on the persons account to which the Shareholder has sole or joint title to the funds. Third party cheques will not be accepted with the exception of banker's drafts and building society cheques where the bank or building society has confirmed the name of the account holder on the back of the draft or cheque and has added the branch stamp. The account name must be the same as the Shareholder name detailed on the Purchase Form. Cheques and banker's drafts should be made payable to "Capita Registrars Limited re: PEWT – Purchase Offer a/c" and crossed "A/C payee only". Post dated cheques will not be accepted. The Company reserves the right to have cheques and banker's drafts presented for payment on receipt and to instruct Capita Registrars to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Interest will not be paid on payments made before they are due but will ultimately accrue for the benefit of the Company.
- 15.11 Applications with a value of €15,000 or greater, which are to be settled by way of a third party payment (e.g. banker's draft or building society cheque), will be subject to the United Kingdom's verification of identity requirements which are contained in the Money Laundering Regulations 2007. For UK applicants, this may involve verification of names and addresses (only) through a reputable agency. For non-UK applicants, verification of identity may be sought from your bankers or from another reputable institution or professional adviser in the applicant's country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time, and in any event by 1.00 p.m. on 10 December 2009, your application may not be accepted.
- 15.12 The terms and conditions of application under the Matching Purchase Facility are set out in Part 5 of this document and in the relevant Purchase Form, which should be read carefully before any such

application is made. A Purchase Form is enclosed with this document. Notes on how to complete the Purchase Form are set out thereon.

- 15.13 The availability of the Matching Purchase Facility to persons not resident in, or who are outside, the United Kingdom may be affected by the laws or regulatory requirements of relevant jurisdictions. If you receive a copy of this document or a Purchase Form in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use a Purchase Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or a Purchase Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the United Kingdom wishing to make an application for Ordinary Shares and/or ZDP Shares under the Matching Purchase Facility, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- 15.14 None of the Ordinary Shares and/or ZDP Shares have been or will be registered under the laws of Canada, Japan, the Republic of South Africa or Australia, under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other political sub-division of the United States. Accordingly, the Ordinary Shares and/or ZDP Shares may not be offered, sold or delivered, directly or indirectly, within Canada, Japan, Australia or the United States or to, or for the account or benefit of, US Persons, except in transactions that are exempt from the registration requirements under the Securities Act. If you apply for Shares you will, unless the Company and J.P. Morgan Cazenove agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person and that you are not subscribing for such Shares for the account of any US Person and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such New Shares in the United States or to any US Person. No application will be accepted if it bears an address in the United States. **Shareholders and/or potential investors who are in any doubt as to their position are strongly advised to consult their own professional adviser.**

16. Placing

- 16.1 The Placing is conditional upon the Resolutions being passed at the Shareholder Meetings and will be implemented only if both of the Tender Offers are implemented.
- 16.2 The price at which Ordinary Shares placed under the Placing will be acquired will be the Ordinary Share Purchase Price.
- 16.3 The price at which ZDP Shares placed under the Placing will be acquired will be the ZDP Share Purchase Price.
- 16.4 Only dealing clients of J.P. Morgan Cazenove may acquire Shares pursuant to the Placing upon the terms and conditions upon which J.P. Morgan Cazenove conducts business with such clients.

PART 6

DETAILS OF THE COMPANY'S PORTFOLIO

- As at 18 November 2009 (being the latest practicable date prior to the publication of this document), the Company's portfolio comprised 49 investments with an aggregate value, on that date, of £61,246,099, valued as at their closing bid prices in respect of listed investments and based on Directors' fair value valuations in respect of unlisted investments in accordance with the Company's accounting policies.
- The following table shows the composition by nature of securities of the Company's portfolio as at 18 November 2009 (being the latest practicable date prior to the publication of this document):

<i>Nature of Securities</i>	<i>% of the Company's Total Investments</i>
UK equity shares	14.2%
Overseas equity shares	81.3%
Cash	4.5%
Total	100.0

- As at 18 November 2009 (being the latest practicable date prior to the publication of this document), the top 50 per cent. of the Company's investments by value were as set out in the following table. These may not be the same holdings into which the proceeds of the Placing are invested:

<i>Investee Company</i>	<i>Sector</i>	<i>% of Company's Portfolio</i>	<i>Market Value £'000</i>
Listed Investments			
E.ON	Electricity	4.8	2,933
GDF Suez	Gas	4.3	2,648
Snam Rete Gas	Gas	4.3	2,634
FPL Group	Electricity	3.8	2,306
Veolia Environment	Water	3.6	2,184
UIL Holdings	Electricity	3.5	2,132
National Grid	Electricity	3.4	2,077
Guangdong Investment	Water	3.1	1,872
China Power New Energy Development	Electricity	2.8	1,740
Northeast Utilities	Electricity	2.8	1,714
Aqua America	Water	2.7	1,664
Public Power Corp	Electricity	2.6	1,607
Enel	Electricity	2.6	1,599
FirstEnergy	Electricity	2.5	1,527
Electricite de France	Electricity	2.5	1,508
Epure	Water	2.4	1,488

Note: The Company is required to realise up to 40 per cent. of the value of the portfolio in order to fund the Tender Offers with any balance of funds reinvested following completion of the Proposals in accordance with the Company's investment policy. The portfolio may therefore reflect a different position than that set out above following implementation of the Proposals.

4. The following table shows the composition by geographical area of the Company's portfolio as at 18 November 2009 (being the latest practicable date prior to the publication of this document):

<i>Geographical Area</i>	<i>% of the Company's Total Investments</i>
United States	27.5%
UK	14.2%
France	12.0%
China/Hong Kong	11.8%
Italy	8.2%
Germany	4.8%
Thailand	4.4%
Singapore	3.4%
Greece	2.6%
Spain	2.1%
Canada	1.9%
Portugal	1.8%
Malaysia	0.8%
Cash/Net Current Assets	4.5%
Total	<u>100.0</u>

5. The following table shows the composition by currency of the Company's portfolio as at 18 November 2009 (being the latest practicable date prior to the publication of this document):

<i>Currency</i>	<i>% of the Company's Total Investments</i>
Euro	31.5%
US Dollar	29.5%
Sterling	14.2%
Hong Kong Dollar	9.8%
Thai Baht	4.4%
Singapore Dollar	3.4%
Canadian Dollar	1.9%
Malaysian Ringgit	0.8%
Cash	4.5%
Total	<u>100.0</u>

6. Unless otherwise indicated, the information set out in this Part 6 is unaudited, has been extracted from internal management accounting records maintained by the Company and is consistent with the Company's accounting policies. Net Asset Value is currently communicated to the market on a weekly basis and the Company anticipates continuing with this practice following implementation of the Proposals. The Company does not anticipate any circumstances in which valuation will be suspended.

PART 7

FINANCIAL INFORMATION CONCERNING THE COMPANY

1. Introduction

- 1.1 The Company's auditors are Ernst & Young LLP, Chartered Accountants regulated by the Institute of Chartered Accountants in England and Wales, of 1 More London Place, London SE1 2AF.
- 1.2 Save for the historical information for the three financial years ended 31 December 2008 set out, or incorporated by reference, in paragraph 3.1 of this Part 7, none of the information in this document has been audited. Unless otherwise indicated, all unaudited financial information relating to the Company contained in this document has been sourced, without material adjustment, from the internal accounting records of the Company which are maintained by the Company Secretary on the Company's behalf on a basis consistent with the Company's accounting policies.
- 1.3 The financial information set out in this Part 7 does not constitute statutory accounts (as defined in section 434(3) of the 2006 Act) of the Company.

2. Statutory Accounts for the Three Financial Years Ended 31 December 2008

- 2.1. Statutory accounts for the Company for the three financial years ended 31 December 2008 (prepared in accordance with UK GAAP and the AIC SORP), in respect of which Ernst & Young LLP issued unqualified reports under section 235 of the 1985 Act (and such reports did not refer to any matters of fundamental uncertainty), have been delivered to the Registrar of Companies in England and Wales and such reports did not contain any statements under section 237(2) or (3) of the 1985 Act.

3. Published Annual Reports and Statutory Accounts for Three Financial Years Ended 31 December 2008

3.1 *Historical Information incorporated by reference*

The following list is intended to enable investors to identify easily specific items of information which are relevant to the Proposals and are incorporated by reference into this document. The page numbers below refer to the relevant pages of the respective Annual Report and Accounts.

<i>Nature of Information</i>	<i>Annual Report and Accounts for Year Ended 31 December</i>		
	<i>2006 Page No(s)</i>	<i>2007 Page No(s)</i>	<i>2008 Page No(s)</i>
Chairman's Statement	3–5	3–5	3–5
Investment Manager's Report	6–8	6–8	6–7
Investment Portfolio	9	9	8
Financial Summary	12–13	12–13	11–12
Directors' Report	16–27	16–27	15–27
Directors' Remuneration Report	28–29	28–29	28–29
Statement of Directors' Responsibilities	30	30	30–31
Independent Auditors' Report	31–32	31–32	32–33
Income Statement	33	33	34
Balance Sheet	34	34	35
Reconciliation of movements in shareholders' funds	35	35	36
Cash Flow Statement	36	36	37
Notes to the Financial Statements	37–47	37–50	38–51

3.2 **Selected Financial Information**

The key audited figures that summarise the financial condition of the Company in respect of the year ended 31 December 2008 (and the corresponding figures for the years ended 31 December 2007 and 2006) which have been extracted directly on a straightforward basis from the historical information referred to in paragraph 3.1 of this Part 7 (unless otherwise indicated in the notes below the following table) are set out in the following table.

	<i>Year Ended 31 December</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Capital			
Total assets (£'000)	63,600	78,310	60,076
Total fixed assets (investments) (£'000)	60,789	71,758	53,868
Total assets less current liabilities (£'000)	61,294	75,383	59,955
Net asset value per Ordinary Share (p)	207.10	275.60	180.78
Net Asset Value per ZDP Share (p)	123.90	132.57	141.86

	<i>Year Ended 31 December</i>		
	<i>2006</i>	<i>2007</i>	<i>2008</i>
Earnings and Dividends			
Earnings per Ordinary Share (p)	6.97	7.40	8.46
Dividends per Ordinary Share (p)	6.90	7.00	7.35
Dividend Cover ⁽¹⁾	1.01	1.06	1.15
Revenue reserves (£'000)	641	732	997

Notes:

(1) Dividend cover has been calculated on the financial information extracted from the audited accounts based on revenue return per Ordinary Share and dividends per Ordinary Share.

3.3 **Operating and Financial Review**

The published annual report and accounts for the Company for the three financial years ended 31 December 2008 included, on the pages specified below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for each of those years.

<i>Section</i>	<i>Annual Report and Accounts for Year Ended 31 December</i>		
	<i>2006 Page No(s)</i>	<i>2007 Page No(s)</i>	<i>2008 Page No(s)</i>
Chairman's Statement	3–5	3–5	3–5
Investment Manager's Report	6–8	6–8	6–7
Investment Portfolio	9	9	8

3.4 **Availability of Annual Report and Accounts for Inspection**

Copies of the published annual report and audited accounts of the Company for the three financial years ended 31 December 2008 (as filed with the UK Listing Authority) are available for inspection at the addresses set out in paragraph 11 of Part 11 of this document.

4. **Unaudited Interim Report for Six Months Ended 30 June 2009**

4.1 **Historical Financial Information**

The published unaudited interim reports of the Company for the six months ended 30 June 2008 and 30 June 2009 included, on the pages specified in the table below, descriptions of the Company's financial condition (in both capital and revenue terms), changes in its financial condition and details of the Company's portfolio of investments for each of those periods and are incorporated by reference into this document.

*Interim Report for
Six Months Ended
30 June*

<i>Section</i>	<i>2008 Page No(s)</i>	<i>2009 Page No(s)</i>
Chairman's Statement	3-4	3-4
Investment Manager's Report	5-6	5-6
Investment Portfolio	7	7
Income Statement (incorporating revenue account)	10	10-11
Balance Sheet	12	12
Reconciliation of movements in shareholders' funds	13	13
Cash Flow Statement	14	14
Notes to the Financial Statements	15-16	15-16

4.2 ***Selected Financial Information***

The key unaudited figures that summarise the financial condition of the Company in respect of the six months ended 30 June 2009 (and the corresponding figures in respect of the six months ended 30 June 2008, which have been included for comparative purposes), which have been extracted directly on a straightforward basis from the historical financial information referred to in paragraph 4.1 of this Part 7 (unless otherwise indicated in the note below the following table), are set out in the following table.

	<i>As at 30 June</i>	
	<i>2008</i>	<i>2009</i>
Capital		
Total assets (£'000)	67,399	57,652
Total fixed assets (investments) (£'000)	58,569	54,003
Total assets less current liabilities (£'000)	67,288	56,635
Net asset value per Ordinary Share (p)	226.21	157.37
ZDP Share (p)	137.10	146.70
Earnings and Dividends		
Earnings per Ordinary Share (p)	4.80	5.27
Dividends per Ordinary Share (p)	3.00	3.00
Dividend Cover ⁽¹⁾	1.60	1.76
Revenue reserves (£'000)	876	1,165

Notes:

(1) Dividend cover has been calculated on the financial information extracted from the audited accounts based on revenue return per Ordinary Share and dividends per Ordinary Share.

4.3 ***Availability of Interim Report and Accounts for Inspection***

Copies of the Company's unaudited interim reports for the six months ended 30 June 2008 and 30 June 2009 (as filed with the UK Listing Authority) are available for inspection at the addresses set out in paragraph 11 of Part 11 of this document.

5. No Significant Change in Financial Position

There has been no significant change in the financial or trading position of the Company since 30 June 2009 (being the end of the last financial period of the Company for which interim financial information has been published).

6. Capitalisation and Indebtedness

The following table shows the unaudited capitalisation and indebtedness of the Company (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 30 June 2009 (being the last date in respect of which the Company has published financial information) and as at 18 November 2009 (being the latest practicable date prior to the publication of this document).

	<i>30 June</i> <i>2009¹</i> <i>£'000</i>	<i>18 November</i> <i>2009²</i> <i>£'000</i>
Total Current Debt		
Guaranteed	–	–
Secured	–	–
Unguaranteed/unsecured	–	–
Total Non-current Debt		
Guaranteed	–	–
Secured	–	–
Unguaranteed/unsecured ⁴	28,083	28,826
Shareholders' Equity		
Share capital	181	181
Legal reserve ³	10	10
Other reserves ³	17,474	17,474

Notes:

1. Derived from the Company's published unaudited interim report for the six months ended 30 June 2009.
2. Extracted from internal management accounting records.
3. Legal reserve and other reserves do not include profit and loss reserve.
4. ZDP Shares.

The following table shows the Company's unaudited net indebtedness as at 18 November 2009 (being the latest practicable date prior to the publication of this document).

	<i>18 November</i> <i>2009</i> <i>£'000</i>
A. Cash	3,219
B. Cash equivalent	–
C. Trading securities	58,497
D. Liquidity (A + B + C)	<u>61,716</u>
E. Current financial receivable	<u>590</u>
F. Current bank debt	
G. Current portion of non-current debt	
H. Other current financial debt	<u>(141)</u>
I. Current financial debt (F + G + H)	<u>(141)</u>
J. Net current financial assets (I – E – D)	<u>62,165</u>
K. Non-current bank loans	–
L. Bonds issued	–
M. Other non-current loans	<u>(28,826)</u>
N. Non-current financial indebtedness (K + L + M)	<u>(28,826)</u>
O. Net financial assets (J + N)	<u>33,339</u>

The Company has no indirect or contingent indebtedness.

7. Accounting Policy Regarding Investment Management Fees and Finance Costs

The Company will allocate, following implementation of the Proposals, 60 per cent. of the basic management fee payable under the Investment Management Agreement to capital, and will allocate any performance fee payable to capital and revenue based on where the out-performance was achieved. All of the expenses incurred in respect of the ZDP Shares will be allocated to capital.

8. Working Capital

The Company is of the opinion that the working capital available to the Company is sufficient for its present requirements, that is, for at least the next 12 months following the date of this document.

9. NAV Calculations

The unaudited NAV per Ordinary Share is calculated weekly at the close of business on each Wednesday and at the end of each month by the Company Secretary in accordance with the guidance laid down by the Association of Investment Companies and announced through a Regulatory Information Service on the following business day.

UK listed investments are valued according to the prices issued by the London Stock Exchange, being the last traded price or where appropriate the closing bid price. Other listed securities are valued at bid prices or last traded price, if appropriate. Unlisted investments are included in the Company's financial statements at valuations determined by the Board. Realised surpluses or deficits on the disposal of investments and permanent impairments in the value of investments are taken to capital reserve – realised and unrealised surpluses and deficits on the realisation of investments are taken to capital reserve – unrealised. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value.

The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

PART 8

TAXATION

The following information is intended as a general guide only and is based on current legislation and HM Revenue & Customs practice for Shareholders who are resident or ordinarily resident in (and only in) the United Kingdom for tax purposes and who hold their Shares as an investment. The provisions set out below may not apply to certain classes of Shareholders, such as dealers in securities, or to Shareholders who are not absolute beneficial owners of their Shares. Any Shareholder or prospective investor in Shares who is in any doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom is strongly recommended to consult their professional adviser as soon as possible. Special provisions apply to certain kinds of Shareholder who are also strongly recommended to seek their own professional advice.

1. General

- 1.1 The Directors intend to continue to conduct the Company's affairs so as to satisfy the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988. In respect of each accounting period for which approval is granted, the Company will be exempt from United Kingdom taxation on its capital gains. However, capital gains made in other jurisdictions may be liable to tax in those jurisdictions.
- 1.2 The Company will be liable to United Kingdom corporation tax on its income in the normal way. Dividends received by the Company are likely to be exempt from corporation tax. Income arising from any overseas investments may be subject to foreign withholding tax at the relevant country's applicable rate, but double taxation relief may be available in respect of income which is not exempt from corporation tax.

2. Shareholders

2.1 *Tender Offers*

A Shareholder who sells Shares in the Tender Offers should be treated, for the purposes of UK taxation, as though the Shareholder had sold them in the normal way to a third party. Accordingly, any such Shareholder who is resident or (if an individual Shareholder) ordinarily resident in the UK for tax purposes may, depending on that Shareholder's personal circumstances, be subject to capital gains tax (or, in the case of a corporate Shareholder, corporation tax on chargeable gains) in respect of any gain arising on such sale.

The attention of individual Shareholders holding Ordinary Shares is however drawn to the provisions of Chapter 1 of Part 13 to the Income Tax Act 2007. Under these provisions the receipt on the sale of the Shares could be subject to income tax rather than capital gains tax, and so subject to tax at a higher rate. These anti-avoidance provisions would not apply if the individual Shareholder can show that: (a) the transaction is effected for genuine commercial reasons or in the ordinary course of making or managing investments and (b) enabling income tax advantages to be obtained is not the main object or one of the main objects of the transaction.

Individual Shareholders who are neither resident nor ordinarily resident in the UK for tax purposes and who do not hold their Shares for use in or for the purposes of a trade, profession or vocation carried on by that Shareholder through a branch or agency in the UK and who do not hold, and did not acquire, their Shares for use by or for the purposes of such a branch or agency will not normally be liable to UK taxation on chargeable gains in respect of any disposal of their Shares. Individual Shareholders who are temporarily neither resident nor ordinarily resident in the UK for tax purposes may be liable to capital gains tax under anti-avoidance legislation. Shareholders who hold their Shares through a personal equity plan, individual savings account, approved pension fund or child trust fund and who sell their Shares in the Tender Offers will not be subject to income or capital gains tax as a result of the sale.

Corporate Shareholders which are not resident in the UK for tax purposes and which do not hold their Shares for use in or for the purposes of a trade, profession or vocation carried on by that Shareholder through a permanent establishment in the UK and which do not hold, and did not acquire, their Shares for use by or for the purposes of such a permanent establishment will not normally be liable to UK taxation on chargeable gains in respect of any disposal of their Shares.

2.2 *Dividends*

No withholding tax will be deducted from dividends paid to Ordinary Shareholders by the Company. An individual Ordinary Shareholder, resident in the UK for tax purposes, who receives a dividend will be entitled to a tax credit of an amount equal to 10 per cent. of the aggregate of the dividend and the tax credit (equivalent to one ninth of the cash dividend). Individual Ordinary Shareholders who are not liable to income tax in respect of dividends will not generally be entitled to reclaim any part of the tax credit. The income tax charge in respect of dividends for basic rate taxpayers will be at the rate of 10 per cent. and, therefore, such Ordinary Shareholders will have no further liability to tax on their dividends. A higher rate taxpayer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of his income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent., against which he can offset the 10 per cent. tax credit.

From 6 April 2010, it is anticipated that an additional rate taxpayer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of his income, it falls above the threshold for the additional rate of income tax) at the rate of 42.5 per cent., against which he can offset the 10 per cent tax credit.

A UK resident corporate Ordinary Shareholder is not likely be liable to corporation tax on any dividends received from the Company.

Shareholders who are resident outside the UK should consult an appropriate professional adviser as to their tax position. Such Shareholders should note that they may not be entitled to any payment from HM Revenue and Customs in respect of the tax credit on dividends.

2.3 *Gains Arising on Sale or Other Disposal*

Shareholders who are resident or ordinarily resident in the UK may, depending upon their personal circumstances, be liable to taxation in respect of gains arising from the sale or other disposal (including a disposal on a winding-up) of their Shares. An individual will be taxed on such gains at the appropriate rate currently 18 per cent., but the gain may be reduced by the annual exemption (which is £10,100 for the tax year 2009–2010). Corporate Shareholders may be entitled to an indexation allowance. In the event of a winding-up of the Company, distributions in the course of the winding up (other than to dealers in securities who are subject to different rules) will be treated as capital receipts.

Shareholders who are neither resident nor ordinarily resident in the UK and who are not carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of the Corporate Shareholder, a permanent establishment) to which the Shares are attributable as assets will not be liable to UK taxation on chargeable gains arising on the sale or other disposal of their Shares, although they may be subject to foreign taxation.

Individual Shareholders who are temporarily neither resident nor ordinarily resident in the UK for tax purposes may be liable to capital gains tax under anti-avoidance legislation. Shareholders who hold their Shares through a personal equity plan, individual savings account, approved pension fund or child trust fund will not be subject to income or capital gains tax as a result of a sale.

2.4 *Stamp Duty and Stamp Duty Reserve Tax*

Transfers of Shares are liable to stamp duty (currently at the rate of 0.5 per cent. with a rounding up to the nearest £5) or (if an unconditional agreement to transfer Shares is not completed by a duly

stamped transfer) stamp duty reserve tax (currently at the rate of 0.5 per cent.) on the actual consideration paid.

Paperless transfers of Shares within CREST are liable to stamp duty reserve tax (usually at the rate of 0.5 per cent of the actual consideration paid) rather than stamp duty.

In the case of both stamp duty and stamp duty reserve tax, the duty is payable by the transferee of the Shares.

No stamp duty or stamp duty reserve tax will be payable on the issue of the New Shares.

2.5 *PEP and ISA Status of Shares*

Shares purchased will be a qualifying investment for the stocks and shares component of an ISA if they are acquired by an ISA plan manager in the market; however, New Shares purchased through the Placing will not be a qualifying investment. Although no new PEPs may be opened and no further subscriptions made to existing PEPs, Shares purchased will also qualify as an eligible security in an existing PEP, provided that they are purchased by a PEP plan manager in the market from proceeds raised from the sale of an existing PEP holding but not if they are New Shares purchased through the Placing.

PART 9

PRINCIPAL ASSUMPTIONS

The principal assumptions used in deriving the illustrative investment statistics given in this document in relation to the Shares are set out below:

1. On the date of the transaction, the Company's gross assets are £62.3 million and its capital structure comprises 18.1 million Ordinary Shares and 19.1 million ZDP Shares with the ZDP Share NAV entitlement at 151.39p per ZDP Share.
2. 40 per cent. of Ordinary Shares are elected for tender at the Ordinary Share Tender Price of 174.56p and 40 per cent. of ZDP Shares are elected for tender at the ZDP Share Tender Price of 156p.
3. 10 per cent. of the Ordinary Shares and 18 per cent. of the ZDP Shares respectively are purchased either through the Matching Purchase Facility or the Placing.
4. The total costs of the transaction are £0.8 million.
5. The secretarial, administration and other expenses will be £300,000 (including VAT) per annum and will be charged wholly to revenue. The investment management fee will be charged 40 per cent. to revenue and 60 per cent. to capital.
6. The dividends paid by the Company will equal its gross revenue after all revenue expenses and after taxation over the life of the Company.
7. Dividends on the Ordinary Shares in respect of the financial year will be paid quarterly in equal instalments.
8. No taxation on capital gains will be paid by the Company.
9. Prospective annual gross yield on the portfolio is 4.3 per cent.
10. There is £150,000 of irrecoverable overseas tax per annum charged to revenue.
11. In deriving such statistics, net redemption yields on the Ordinary Shares represent the annual internal rates of return of the calculated cashflows to and from Ordinary Shareholders (being the Purchase Price, dividend receipts and their final capital entitlement). The gross redemption yields relating to the ZDP Shares are calculated on an annual compounded basis.
12. The net assets of the Company will be distributed on winding-up to Shareholders on 31 December 2015.
13. No provision is required for any taxation charges upon the Company or any diminution in the value of the Company's net assets arising from its winding up or for expenses incurred by the Company by reason of or in connection with such winding-up.
14. The Company will not issue additional share capital during its life and will have no additional debt obligations during that period.
15. The accrual of the excess of the final capital entitlement over the Tender Price of the ZDP Shares will be charged to capital.

PART 10

PRINCIPAL DIFFERENCES BETWEEN THE EXISTING ARTICLES AND THE NEW ARTICLES

The principal differences between the existing Articles and the proposed New Articles to be adopted at the General Meeting are as follows:

Extension of the life of the Company

If the Proposals are approved by Shareholders at the Shareholder Meetings, the winding up date for the Company contained in the existing Articles will be extended until 31 December 2015. The Articles will therefore be amended to include the proposed new winding up date at which the Directors will be required to put proposals to Shareholders to wind up the Company voluntarily unless previously released from their obligation to do so.

Amendment to terms of existing ZDP Shares

If the Proposals are implemented, it is proposed that the rights attaching to the ZDP Shares be amended by extending their life to 31 December 2015 and revising the protections afforded to ZDP Shares to a level of cover of 1.5 times and their redemption yield in accordance with the outcome of the implementation of the Proposals in order that their revised terms are aligned with current market rates. The Articles are also being amended to ensure that the buy back of Shares restrictions will prohibit buy backs which are not in the Relevant Proportion Ratio unless such buy back has previously received the sanction of each class of share. The Articles will therefore be amended to include these revised rights following implementation of the Proposals.

Companies Act 2006

1. The Company's Objects

The provisions regulating the operations of the Company were historically set out in the Company's memorandum and its articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The 2006 Act significantly reduces the constitutional significance of a company's memorandum, providing that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the 2006 Act the objects clause and all other provisions which are contained in a company's memorandum are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the 2006 Act states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all the other provisions of its memorandum which, by virtue of the 2006 Act, are treated as forming part of the existing Articles of Association since 1 October 2009. The Resolution to be proposed at the General Meeting therefore confirms the removal of these provisions from the New Articles. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

2. Articles Which Duplicate Statutory Provisions

Provisions in the existing Articles which replicate provisions contained in the 2006 Act are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be duplicated in a company's constitution.

3. Change of Name

Under the 1985 Act, a company could only change its name by special resolution. Under the 2006 Act, a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

4. Authorised Share Capital and Unissued Shares

The 2006 Act abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the 2006 Act, save in respect of employee share schemes.

5. Redeemable Shares

Under the 1985 Act, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The 2006 Act enables Directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

6. Authority to Purchase Own Shares and Reduce Share Capital

Under the 1985 Act, a company required specific enabling provisions in its articles to purchase its own shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The existing Articles include these enabling provisions. Under the 2006 Act a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

7. Suspension of Registration of Share Transfers

The existing Articles permit the Directors to suspend the registration of transfers. Under the 2006 Act, share transfers must be registered as soon as practicable. The power in the existing Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

8. Voting by Proxies on a Show of Hands

The Companies (Shareholders Rights) Regulations 2009 (the "Regulations") which recently came into force in August 2009 have amended the 2006 Act so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member. If the proxy is appointed by more than one member the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles have been drafted to reflect these changes. The New Articles also permit the Company to exclude non-working days when calculating the requisite number of days for deposit of a form of proxy.

9. Voting by Corporate Representatives

The Regulations have also amended the 2006 Act in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

10. Chairman's Casting Vote

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the 2006 Act.

11. Communications with Shareholders

New provisions have been included in the New Articles that give the Directors the authority to determine that notices and other information must not be sent to shareholders outside the United Kingdom if to do so would risk breaching foreign securities laws. Shareholders may continue to give a postal address within the United Kingdom as their address for service of notices and other documents and information.

12. Notice of General Meetings

The Regulations amend the 2006 Act to require the company to give 21 clear days' notice of general meetings unless the Company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles amend the provisions of the existing Articles to be consistent with the new requirements.

13. Electronic Conduct of Meetings

Amendments made to the 2006 Act by the Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles have been amended to reflect more closely the relevant provisions.

14. Adjournments for Lack of Quorum

Under the 2006 Act as amended by the Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles have been drafted to reflect this requirement.

15. Voting Record Date

Under the 2006 Act as amended by the Regulations the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles have been drafted to reflect this requirement.

16. Duration of the Company

The existing provision in the Articles relating to the duration of the Company has been amended to clarify that the NAV per Ordinary Share used for the purposes of providing the benchmark for measuring the discount over the twelve week period prior to the year end excludes income and is calculated in accordance with the Company's accounting policies.

17. General Amendments

Generally the opportunity has been taken to bring clearer language into the New Articles and therefore non-material changes and stylistic amendments have also been made to the Existing Articles.

A copy of the New Articles blacklined to show the changes from the existing Articles will be available for inspection at the address set out in paragraph 11 of Part 11 and at the place of the General Meeting for 15 minutes prior to that meeting and during the meeting.

PART 11

ADDITIONAL INFORMATION

1. Company Information

- 1.1 The Company was incorporated and registered in England and Wales under the 1985 Act on 12 September 2003 with registered number 04897881 as a public company limited by shares with the name Premier Utilities Trust Plc. The Company changed its name to Premier Energy and Water Trust Plc on 2 May 2008. Premier Energy and Water Trust Plc is the legal and commercial name of the Company.
- 1.2 The Company's head office and principal place of business is at Eastgate Court, High Street, Guildford, Surrey GU1 3DE.
- 1.3 The principal legislation pursuant to which the Ordinary Shares and ZDP Shares have been issued is the 1985 Act. The principal legislation under which the Company operates is the 2006 Act.
- 1.4 The Company's registered office is at Eastgate Court, High Street, Guildford, Surrey GU1 3DE.
- 1.5 It is the intention of the Directors to continue to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust under section 842 of the Income and Corporation Taxes Act 1988 and, accordingly, the Company intends that its income will consist wholly or mainly of eligible investment income (as defined in that section). The Company has obtained approval from HM Revenue and Customs as an investment trust in respect of its financial year ended 31 December 2007. As an investment trust, the Company is not a regulated fund nor is it authorised by the FSA but is subject to the Listing Rules applicable to closed-ended investment companies in general and investment trusts in particular.

2. Share Capital

2.1 Issued Share Capital

The issued and fully paid up share capital of the Company as at 31 December 2008 is set out in the table below:

	<i>Issued and fully paid No. of Shares⁽¹⁾</i>	<i>Nominal Value (£)</i>
Ordinary Shares	18,143,433	181,434.33
ZDP Shares	19,143,433	191,434.33

Notes:

- (1) As at 18 November 2009 (being the latest practicable date prior to the publication of this document), there were 18,143,433 Ordinary Shares and 19,143,433 ZDP Shares in issue.

2.2 History of Share Capital

As at 1 January 2006, (being the commencement of the period covered by the historical financial information contained in this document) the authorised and issued share capital of the Company was as follows:

	<i>Authorised No. of Shares</i>	<i>Nominal Value (£)</i>	<i>Issued and fully paid No. of Shares</i>	<i>Nominal Value (£)</i>
Ordinary Shares	105,000,000	1,050,000	18,143,433	181,434.33
ZDP Shares	105,000,000	1,050,000	19,143,433	191,434.33

2.3 *Changes to Share Capital*

Since 1 January 2006 (being the commencement of the period covered by the historical financial information contained in this document) there have been no changes in the issued share capital of the Company.

2.4 *Proposed Authorities*

If the Resolution to be proposed at the General Meeting is passed the Directors will, in addition to any existing authorities:

2.4.1 be generally and unconditionally authorised for the purposes of section 551 of the 2006 Act to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (such shares and rights together being “**relevant securities**”) up to an aggregate nominal amount of £380,000 in connection with the Proposals representing approximately 102 per cent. of the issued share capital of the Company as at the date of this document, provided that such authorisation will expire on 31 March 2010, unless previously renewed revoked or varied by the Company in general meeting; and

2.4.2 be empowered, in accordance with section 570(1) of the 2006 Act, to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authorisation under section 551 of the 2006 Act referred to at paragraph 2.4.1 above for cash, as if section 561(1) of the 2006 Act did not apply to any such allotment, up to the aggregate maximum amounts of £380,000 such power to expire on 31 March 2010 unless previously revoked, varied or renewed by the Company in general meeting.

2.5 *Existing Authorities*

2.5.1 Pursuant to a general authority granted at the Company’s annual general meeting held on 22 April 2009 under section 80 of the 1985 Act, the Directors have authority to allot up to an aggregate nominal amount of £18,143 (representing approximately 10 per cent. the authorised issued Ordinary Share capital of the Company as at 10 March 2009). As at the date of this document, no Ordinary Shares have been issued pursuant to such authority which expires at the conclusion of the annual general meeting of the Company to be held in 2010.

2.5.2 The provisions of section 561(1) of the 2006 Act confer rights of pre-emption in respect of the allotment of equity securities (as defined in section 560(1) of the 2006 Act) which are, or are to be, paid up in cash and apply to the unissued share capital of the Company, except to the extent disapplied by the Company in general meeting. Pursuant to authorities granted at the Company’s annual general meeting held on 22 April 2009 under sections 89 and 95 of the 1985 Act, a general disapplication in relation to the issue of new Ordinary Shares up to an aggregate nominal value of £18,143 (representing approximately 10 per cent. of the issued Ordinary Share capital of the Company as at 10 March 2009) currently exists. Such authority expires at the conclusion of the next annual general meeting of the Company to be held in 2010.

2.6 *Total authorities*

The proposed authorisations referred to at paragraph 2.4 of this Part 11, together with the authorities granted at the Company’s annual general meeting held on 22 April 2009, will give the Directors authority to allot up to 19,814,300 Ordinary Shares and 20,000,000 ZDP Shares (representing approximately 109 per cent. of the current issued Ordinary Share capital and approximately 104 per cent. of the current issued ZDP Share capital).

2.7 *Exercise of Authorities*

Other than the issue of New Shares pursuant to the Proposals in the event that demand under the Placing exceeds the number of Shares available following the Tender Offers and after matching with purchases for Shares under the Matching Purchase Facility, the Directors have no present intention of issuing any of the authorised but unissued share capital of the Company.

2.8 **General**

As at the date of this document, save as disclosed in this paragraph 2:

- 2.8.1 no unissued share capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- 2.8.2 no shares which do not represent capital have been issued by the Company and remain outstanding;
- 2.8.3 no shares are held by or on behalf of the Company in treasury or otherwise;
- 2.8.4 no convertible securities, exchangeable securities or securities with warrants have been issued by the Company and remain outstanding; and
- 2.8.5 save in connection with the Proposals there are no acquisition rights and/or obligations over any of the Company's authorised but unissued capital and no undertakings to increase the Company's capital.

3. **Substantial Shareholders**

- 3.1 As at 18 November 2009 (being the latest practicable date prior to the publication of this document), in so far as is known to the Company, the only persons (excluding Directors) known to the Company who, directly or indirectly, are interested in 3 per cent. or more of the issued share capital or voting rights of the Company (calculated exclusive of treasury shares) and based on the assumptions set out below:

	<i>18 November 2009⁽¹⁾</i>	
	<i>Total</i>	<i>Percentage</i>
	<i>Number of</i>	<i>of issued</i>
	<i>Shares</i>	<i>Share Capital</i>
Ordinary Shares		
Premier Fund Managers Limited ⁽²⁾	2,025,151	11.8
Armstrong Investments Limited	2,100,000	11.57
Charles Stanley & Co Ltd	1,574,058	8.68
P.J. Milton & Co Plc	1,445,079	7.96
NCL Smith & Williamson	1,416,180	7.84
CG Asset Management Limited	920,000	5.35
Zero Dividend Preference Shares		
Deutsche Bank AG/Tilney Group Limited	4,090,204	21.4
Rensburg Sheppards Plc	3,038,258	15.9
CG Asset Management Limited	2,150,000	11.2

Notes:

- (1) Being the latest practicable date prior to the publication of this document.
 - (2) This includes 2,013,013 Ordinary Shares that are held in the Premier ISA Scheme.
- 3.2 The Company is not aware of any person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company or any arrangement, the operation of which may at a subsequent date result in a change of control of the Company.
 - 3.3 The Ordinary Shareholders and ZDP Shareholders detailed in paragraph 3.1 above have different voting rights. The voting rights attached to the Ordinary Shares and the ZDP Shares respectively are described in paragraphs 6.1 and 6.2 of this Part 11.

4. Directors' and other interests

4.1 The Directors of the Company, each of whose business address is Eastgate Court, High Street, Guildford, Surrey GU1 3DE and their functions in relation to the Company are as follows:

<i>Name</i>	<i>Age</i>	<i>Function(s) within the Company</i>
Geoffrey Burns	55	Chairman and Independent Non-Executive Director
Adam Cooke	50	Independent Non-Executive Director
Ian Graham	55	Independent Non-Executive Director
Michael Wigley	70	Independent Non-Executive Director

4.2 As at 18 November 2009 (being the latest practicable date prior to the publication of this document) the interests of the Directors, their immediate families and related trusts and (insofar as is known to them or could with reasonable diligence be ascertained by them) persons connected (within the meaning of section 96B of FSMA (as amended by the Financial Services and Markets Act 2000 (Amendment Regulations 2009)) with the Directors in the share capital of the Company (all of which are beneficial unless otherwise stated), including: (i) interests arising pursuant to any transaction notified to the Company pursuant to DTR 3.1.2R; or (ii) those of persons connected with the Directors, which would, if such connected person were a Director, be required to be disclosed under (i) above, are set out in the following tables:

	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>
G D C Burns	69,500	0.38
A D Cooke	32,000	0.18
I J W L Graham	10,126	0.057
M D Wigley	116,000	0.64

None of the Directors hold, or are interested in, ZDP Shares at the date of this document.

4.3 No Director of the Company has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company which was effected by the Company during the current or immediately preceding financial year or was effected during an earlier financial year and remains in any respect outstanding or unperformed.

4.4 Save as disclosed in this paragraph 4, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.

4.5 There are no outstanding loans granted by the Company to any of the Directors of the Company nor is any guarantee provided by the Company for the benefit of any of the Directors of the Company.

4.6 Details of those companies and partnerships of which the Directors have been directors or partners (excluding subsidiaries of such companies) at any time over the past five years preceding the date of this document are as follows:

Geoffrey Burns

Current Directorships

City Natural Resources High Yield Trust PLC, Barnellan Equity Advice Limited, Inverclyde Trust Limited, Balmore Trust Limited, Ibex International (UK) Limited

Previous Directorships

Arcapita Utility Trust Management PTE Limited

Adam Cooke*Current Directorships*

City Natural Resources High Yield Trust PLC, Midas Income & Growth Trust PLC, Ingenious Film Partners 2 LLP

Previous Directorships

New City Investment Managers Limited

Ian Graham*Current Directorships*

N/A

Previous Directorships

N/A

Michael Wigley*Current Directorships*

Pollok & Corroul Limited, The Conygar Investment Company PLC, LeggMason Investors International Utilities Trust PLC (in members voluntary liquidation).

Previous Directorships

31 Holland Park Residents Company Limited, Big Realisations Limited, Edit Trading Limited, Johnson Fry Second Utilities Trust Limited

- 4.7 As at the date of this document, none of the Directors has any convictions in relation to fraudulent offences. No Director has been the subject of any official public incriminations and/or had sanctions imposed upon him by any statutory or regulatory authorities (including designated professional bodies). No Director has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or partnership or from acting in the management or conduct of the affairs of any company or partnership in the previous five year period save as disclosed in paragraph 4.6 above, there have been no bankruptcies, receiverships or liquidations of companies or partnerships in respect of which any Director was a member of the administrative, management or supervisory body or was a senior manager and with which he was associated over at least the previous five years.
- 4.8 There are no potential conflicts of interests between any of the Directors' duties to the Company and their private interests and/or other duties.
- 4.9 The remuneration paid to the Directors of the Company by the Company during the financial year ended 31 December 2008 is as follows:

	<i>2008</i>
	<i>Fees</i>
G D C Burns	22,000
A D Cooke	15,000
I J W L Graham	15,000
M D Wigley	15,000
Total	<u>67,000</u>

- 4.10 The Directors are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits. There is no amount set aside or accrued by the Company in respect of contingent or deferred compensation payments or any benefits in kind payable to the Directors.
- 4.11 Each of the Directors is engaged under a letter of appointment and does not have a service contract with the Company. Under the terms of their appointment, each Director is required to retire by rotation and be subject to re-election at least every three years. The Directors are required to seek re-election

if they have already served for more than nine years or are aged over 70. The Company may terminate the appointment of a Director without notice and no compensation is payable upon termination of office as a director of the Company.

5. Corporate Governance

5.1 *Compliance with the Combined Code*

Other than as set out below, the Board has complied with all the material provisions, in so far as they apply to the Company's business, of the Combined Code throughout the year under review. It did not, however, comply with the following provisions, as explained below:

- due to the small size of the Board and nature of the business a separate remuneration committee has not been established; and
- a senior non-executive director has not been identified as it is not relevant for an investment trust company as this role is effectively delegated to the Investment Manager under the terms of the Investment Management Agreement.

The Board adheres to the principles of the AIC Code in all material respects.

Currently the Board is comprised of four members, consisting of the Chairman and three other Non-Executive Directors, all of whom are independent.

5.2 *Nominations Committee*

Mr. Burns is the Chairman of the Nomination Committee which is responsible for the Board appraisal process, and reviews the Board's size and structure and is responsible for succession planning. The Nominations Committee also reviews the balance of skills, knowledge and experience on the Board and on the basis of this evaluation determines whether to recommend that the names of Directors who fall due for re-election should be put to Shareholders. The Nomination Committee meets at least annually.

5.3 *Audit Committee*

Mr. Cooke is the Chairman of the Audit Committee which operates within defined terms of reference. The Audit Committee meets at least twice a year and is responsible for reviewing the annual and interim reports, the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the auditors, including their remuneration and the provision of any non-audit services by them. The Audit Committee considers the independence of the Auditors and the objectivity of the audit process and if satisfied, confirms that the Auditors are independent and have fulfilled their obligations to shareholders. The Audit Committee meets representatives of the Investment Manager and its compliance officer who report as to the proper conduct of business in accordance with the regulatory environment in which both the Company and the Investment Manager operate and reviews the Investment Manager's internal controls. The Company's external Auditors also attend this committee at its request and report on their findings in relation to the Company's statutory audit.

5.4 *Remuneration Committee*

The Board as a whole considers Directors' remuneration and therefore has not appointed a separate remuneration committee. As the Company is an investment trust and all Directors are non-executive the Company is not required to comply with the Combined Code in respect of executive Directors' remuneration.

6. Articles of Association

The New Articles contain, *inter alia*, provisions to the following effect (on the assumption that the Resolution is passed at the General Meeting):

6.1 Ordinary Shares

Subject to the superior rights of any other class or classes of shares that are, or may be, issued by the Company, the rights and restrictions attaching to the Ordinary Shares as regards participation in the profits and assets of the Company shall be as follows:

6.1.1 Income

Any profits which the Company may determine to distribute in respect of any financial year shall be distributed among the holders of the Ordinary Shares *pro rata* according to the amounts paid up or credited as paid up on the Ordinary Shares held by them.

6.1.2 Capital

The capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the holders of Ordinary Shares the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held by them respectively.

6.2 ZDP Shares

6.2.1 In addition to the rights and restrictions conferred on the ZDP Shares elsewhere in the New Articles, the ZDP Shares shall carry no rights to receive dividends out of revenue or any other profits of the Company.

6.2.2 The Company shall not without the previous sanction of a special resolution of the holders of the ZDP Shares passed at a separate meeting of such holders convened and held in accordance with the provisions of the New Articles:

- (a) issue any further shares or rights to subscribe or convert any securities into shares in the Company or reclassify issued share capital into shares of a particular class where such shares rank, or would on issue conversion or reclassification rank, as to capital in priority to, or *pari passu* with, the ZDP Shares, save that the Company may, subject as provided in the Articles, issue further ZDP Shares, rights or securities ranking *pari passu* with the ZDP Shares, provided that the Directors shall have calculated and the Company's auditors shall have reported to the Directors on such calculations within 60 days prior to the NAV Calculation Date (as defined below) that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, those ZDP Shares in issue immediately thereafter would have a cover of not less than 1.5 times ("**Cover**"). For this purpose, the cover of the ZDP Shares shall represent a fraction where the numerator is equal to the Net Assets of the Company on the NAV Calculation Date and the denominator is equal to the amount which would be paid on the ZDP Shares in issue on the NAV Calculation Date as a class (and on all shares ranking as to capital in priority thereto or *pari passu* therewith, save to the extent already taken into account in the calculation of the total of share capital and reserves) in a winding up of the Company on the Revised Winding Up Date. The "**NAV Calculation Date**", for the purposes of this paragraph shall mean the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the proposed issue or reclassification or, at the discretion of the Directors, the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the announcement of such proposed issue or reclassification or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue. In calculating such Cover, the Directors shall where available:

- (i) use the Net Assets of the Company published by the Company at the most recent practicable date before the NAV Calculation Date;
- (ii) assume that the share capital or rights proposed to be issued or arising on reclassification had been issued and/or exercised and/or reclassified at the end of the month prior to the NAV Calculation Date;
- (iii) adjust the Net Assets of the Company used for the purposes of (ii) by adding the minimum net consideration (if any) which would be received upon such issue, reclassification or exercise;
- (iv) take account of the entitlements to be attached to the new shares or securities or rights to be issued;
- (v) aggregate the final capital entitlements of the existing ZDP Shares and the capital entitlements of the new shares or securities or rights to be issued as aforesaid in each case as at the Revised Winding Up Date;
- (vi) make appropriate adjustments for any other issues or reclassifications or purchases of own share capital which have been made by the Company since the end of the immediately preceding month or will have been made by or at the time of the proposed issue of shares or rights of subscription or conversion into shares or reclassification; and
- (vii) make such other adjustments as they consider appropriate.

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

- (b) pass a resolution releasing the Directors from their obligation to wind up the Company on the Revised Winding Up Date or otherwise varying its effect; or
- (c) pass a resolution to reduce the capital of the Company in any manner or to repurchase shares in the Company other than as permitted below; or
- (d) pass a resolution for the voluntary winding up of the Company, such winding up to take effect prior to the Revised Winding Up Date; or
- (e) pass any resolution which authorises or permits the Directors to pay a dividend or other distribution out of the capital reserves of the Company other than as permitted below; or
- (f) change the investment policy of the Company materially; or
- (g) change the Company's gearing policy which forms part of the investment policy,

provided that no such sanction will be required for the passing of a resolution authorising the Company to repurchase:

- (i) Ordinary Shares where such shares may only be purchased at prices below their prevailing net asset value (as determined by the Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and where the Cover on the ZDP Shares is 1.5 times or above and where such purchases will not reduce the Cover on the ZDP Shares below 1.5 times (in each case as determined by the Directors as at a date falling not more than 10 days before the date of repurchase) and taking account of any purchases of ZDP Shares proposed to be made at or about the same time; or
- (ii) Ordinary Shares and ZDP Shares in the Relevant Proportion Ratio of Ordinary Shares to ZDP Shares, being the ratio calculated as at the Calculation Date and announced by the Company through a Regulatory Information System on 18 December 2009; or

- (iii) ZDP Shares where such shares may only be purchased at prices below their prevailing accrued capital entitlement (as determined by their Directors in accordance with these Articles as at a date falling not more than 10 days before the date of the relevant repurchase), or for any repurchase of such Shares in accordance with any such resolution.

6.2.3 In addition to the rights and restrictions conferred on the Ordinary Shares elsewhere in the Articles and notwithstanding any contrary provision of the New Articles, the Ordinary Shares shall carry the right to receive the net revenue profits of the Company (including accumulated but unpaid revenue reserves) available for distribution and determined to be distributed by way of interim or final dividends. The Company may, subject to the provisions of the 2006 Act and the relevant articles, by ordinary resolution from time to time declare dividends to be paid to holders of Ordinary Shares not exceeding the amount recommended by the Board. Subject to the provisions of the 2006 Act in so far as, in the Board's opinion, the Company's profits and/or accumulated revenue reserves justify such payments, the Board may pay interim dividends on the Ordinary Shares. Any dividend, unclaimed after a period of 12 years from the date such dividend is payable shall, if the Board resolves, be forfeited and shall cease to remain owing by the Company.

6.2.4 Except as provided in this paragraph 6, the Company may not without the previous sanction of a special resolution of the holders of the Ordinary Shares passed at a separate meeting of such holders convened and held in accordance with the provisions of the New Articles:

- (a) pass a resolution for the voluntary winding up of the Company, such winding up to take effect prior to the Revised Winding Up Date; or
- (b) change the investment policy of the Company materially;
- (c) pass a resolution to reduce the capital of the Company in any manner or to repurchase shares in the Company other than as permitted below; or
- (d) pass any resolution which authorises or permits the Directors to pay a dividend or other distribution out of the capital reserves of the Company other than as permitted below;

provided that no such sanction will be required for the passing of a resolution authorising the Company to repurchase:

- (i) Ordinary Shares where such shares may only be purchased at prices below their prevailing net asset value (as determined by the Directors as at a date falling not more than 10 days before the date of the relevant repurchase) and where the Cover on the ZDP Shares is 1.5 times or above and where such purchases will not reduce the Cover on the ZDP Shares below 1.5 times (in each case as determined by the Directors as at a date falling not more than 10 days before the date of repurchase) and taking account of any purchases of ZDP Shares proposed to be made at or about the same time; or
- (ii) Ordinary Shares and ZDP Shares in the Relevant Proportion Ratio of Ordinary Shares to ZDP Shares, being the ratio calculated as at the Calculation Date and announced by the Company through a Regulatory Information System on 18 December 2009; or
- (iii) ZDP Shares where such shares may only be purchased at prices below their prevailing accrued capital entitlement (as determined by their Directors in accordance with these Articles as at a date falling not more than 10 days before the date of the relevant repurchase), or for any repurchase of such Shares in accordance with any such resolution.

6.2.5 On a return of assets, on a liquidation or otherwise, the surplus assets of the Company after payment of all debts and satisfaction of all liabilities of the Company will be applied as follows:

- (a) first, if all of the winding up revenue profits have not then been distributed to holders of Ordinary Shares by way of dividend an amount equivalent to the amount of winding up revenue profits not so distributed shall be paid to the holders of Ordinary Shares *pro rata* to the number of Ordinary Shares then held by them;
- (b) second, there shall be paid to holders of the ZDP Shares an amount equal to 151.39p per ZDP Share as increased with effect from and including the Calculation Date on a daily basis at such compounded rate as results in the Final Capital Entitlement per ZDP Share on the Revised Winding Up Date, being such amount as shall be announced by the Company through a Regulatory Information System on 18 December 2009; and
- (c) thirdly, there shall be paid to the holders of the Ordinary Shares the surplus assets of the Company available for distribution *pro rata* to the number of Ordinary Shares then held by them.

6.3 *Issue of Shares*

Subject to the provisions of the 2006 Act and other statutes concerning companies (the “Statutes”) and the New Articles, all unissued shares of the Company are at the disposal of the Directors and may be issued in certificated form and/or uncertificated form.

Subject to the provisions of the Statutes, any shares issued may be issued on terms that they are, or at the option of the Company or the members are, liable to be redeemed on the terms and in the manner provided for in the New Articles.

6.4 *Voting Rights*

Subject to any special rights or restrictions as to voting on which shares have been allotted or issued or in accordance with the New Articles, on a show of hands every member entitled to vote on the resolution who is present in person has one vote, and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote; and on a poll every member who is present in person or by proxy and entitled to vote on the resolution has one vote for every share held by him.

Unless the Directors otherwise determine, no member shall be entitled in respect of any share held by him to attend or vote or speak at a general meeting (including a separate meeting of the holders of shares of a particular class) either personally or by proxy, or to exercise any other right conferred by membership in relation to such meetings of the Company, if any call or other sum presently payable by him to the Company in respect of such share remains unpaid. This restriction shall cease to apply when all amounts due (including interest) are paid, together with all costs, charges and expenses incurred by the Company by reason of the non-payment.

6.5 *Dividends and Reserves*

Subject to the provisions of the 2006 Act and of the New Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, subject to any special rights for the time being attached to any shares, no dividend shall exceed the amount recommended by the Board.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

Subject to the provisions of the 2006 Act and of the New Articles, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appear to the Board to be justified by the profits of the Company available for distribution. If at any time the share capital of the

Company is divided into different classes, the Board may pay such interim dividends on shares which rank after shares conferring preferential rights with regard to dividend as well as on shares conferring preferential rights, unless at the time of payment any preferential dividend is in arrears. Provided that the Board acts in good faith, it shall not incur any liability to the holders of shares conferring preferential rights for any loss that they may suffer by the lawful payment of any interim dividend on any shares ranking after those with preferential rights.

Subject to the New Articles, the Board may, before recommending any dividend (whether preferential or otherwise) but having regard to section 842 of the Income and Corporation Taxes Act 1988, transfer to reserves out of the profits of the Company such sums as it thinks fit. All sums standing to reserves may be applied from time to time, at the discretion of the Board, for any purpose to which the profits of the Company may properly be applied and, pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board thinks fit.

All dividends, interest or other sums payable and unclaimed for 12 months after having become 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 be constituted a trustee in respect thereof. All dividends, interest or other sum payable unclaimed for a period of 12 years after having become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

6.6 *Transfer of Shares*

Subject to the New Articles, any member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form approved by the Directors. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An uncertificated share may be transferred in accordance with the Uncertificated Securities Regulations 2001 and the rules of any relevant system. A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the Register as the holder of that share.

Subject to the New Articles, the Admission and Disclosure Standards of the London Stock Exchange and the requirements of the UK Listing Authority, the Directors may refuse to register the transfer of a certificated share which is not fully paid provided that this power will not be exercised so as to disturb the market in the shares.

The Directors may also refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment (except where to do so would disturb the market in the shares) unless all of the following conditions are satisfied:

- it is in respect of only one class of share;
- it is in favour of a single transferee or renounee or not more than four joint transferees or renounces;
- it is duly stamped (if required); and
- it is delivered for registration to the registrar's office or such other place as the Directors have specified, accompanied by the certificate(s) for the shares to which it relates (except in the case of a transfer by a financial institution where a certificate has not been issued or in the case of a renunciation) and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

6.7 *Variation of Rights*

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class may, subject to the Statutes, be varied or abrogated in such manner (if any) as may be provided by those rights; or in the absence of such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting, all the provisions of the Statutes and the New Articles relating to general meetings of the Company or to the proceedings thereat shall apply.

6.8 *Alteration of Capital*

The Company may from time to time by ordinary resolution:

- consolidate, or consolidate and divide, all or any of its share capital into shares of a larger nominal amount than its existing shares;
- subject to the Statutes, sub-divide its shares, or any of them, (whether or not following a consolidation) into shares of a smaller nominal amount than its existing shares and the resolution may determine that, as between the shares resulting from such sub-division, any of them may, as compared with the others, have any such preferred, deferred or other rights, or be subject to any such restrictions, as the Company has power to attach to unissued or new shares; and
- 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 the Company's share capital by the amount of the shares so cancelled.

Subject to the 2006 Act and to the rights attached to any class of shares for the time being in issue, the Company may from time to time by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner.

Subject to the 2006 Act, the rights attached to any class of shares for the time being in issue, the requirements of the UK Listing Authority and the rules of the London Stock Exchange, the Company may from time to time purchase, or enter into a contract under which it will or may purchase, any or all of its own shares (including any redeemable shares) at any price (whether at par or above or below par) and so that any shares to be so purchased may be selected in any manner whatsoever.

6.9 *General Meetings*

Annual general meetings of the Company shall be convened in accordance with the 2006 Act. The Directors may convene other general meetings whenever they think fit, and are required to do so if requisitioned by members in accordance with the 2006 Act. If the Directors fail to convene a general meeting when requisitioned, the meeting may be convened by the requisitionists.

If at any time there are not within the United Kingdom sufficient Directors to call a general meeting, any director may convene a general meeting. If the Company has fewer than two Directors and the Director (if any) is unable or unwilling to appoint sufficient Directors to make up a quorum or to call a general meeting to do so, two or more members may call a general meeting (or instruct the company secretary to do so) for the purpose of appointing one or more Directors.

6.10 *Record date for attendance and voting at meetings*

In relation to each general meeting of the Company, the Company shall determine the time by which a person must be entered on the register of members in order to be entitled to attend or vote at the meeting. No person shall have the right to attend or vote at the meeting if he is entered on the register of members after the time determined by the Company. That time shall not be more than 48 hours

before the time fixed for the meeting. In calculating that period of 48 hours, no account shall be taken of any part of a day that is not a working day.

6.11 *Corporate representatives*

Any body corporate which is a member of the Company may, by resolution of its Directors or other governing body, authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or of any class of members of the Company. Such body corporate shall for the purposes of the New Articles be deemed to be present in person at any such meeting if one or more persons so authorised is present thereat and all references to attendance and voting in person shall be construed accordingly.

A person so authorised shall be entitled to exercise (on behalf of the body corporate) the same powers as the body corporate could exercise if it were an individual member of the Company, save that where a body corporate authorises more than one person; (i) on a vote on a resolution on a show of hands at a meeting, each authorised person has one vote if the body corporate is entitled to vote on the resolution; and (ii) where (i) does not apply, where more than one authorised person purport to exercise a power on behalf of the body corporate in respect of the same shares, if they purport to exercise the power in the same way as each other, the power is treated as exercised in the same way; or if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

6.12 *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 or future) and uncalled capital of the Company and, subject to the provisions of the 2006 Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) in accordance with the New Articles.

6.13 *Directors*

Unless otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two nor more than 10 in number.

A Director shall not be required to hold any shares of the Company.

The ordinary remuneration of the Directors (other than any Director who holds any executive office, including for this purpose the office of chairman or deputy chairman where such office is held in an executive capacity, or employment with the Company or any associated company, entitling him to remuneration under any agreement and who is not thereby entitled to any fees as a Director) shall not exceed in aggregate £150,000 per annum (or such other amount as may from time to time be determined by ordinary resolution of the Company). Such remuneration shall be deemed to accrue from day to day and shall be divisible among the Directors in such proportion and manner as the Directors may determine.

At each annual general meeting of the Company, one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, shall retire from office save that each Director shall offer himself for re-election at the first annual general meeting following his appointment and each Director shall retire from office at or before the date of the third annual general meeting following his last appointment. If there are fewer than three Directors who are subject to retirement by rotation, one Director shall retire from office.

Except as provided in the New Articles, a Director shall not vote (or, if he does vote, his vote shall not be counted) on any resolution of the Directors in respect of any contract, arrangement, transaction or any other kind of proposal in which he has a direct or indirect interest unless his interest cannot reasonably be regarded as likely to give rise to a conflict of interests or the resolution relates to one of the permitted matters listed below and he has no other interest beyond that listed below.

A Director shall not be counted as part of the quorum at a meeting in relation to any resolution on which he is not entitled to vote.

The following are permitted matters for the purposes of the New Articles:

- any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in which offer he is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which he does not, to his knowledge, directly or indirectly, hold an interest in shares (as that term is defined in the 2006 Act) representing one per cent. or more of either any class of the equity share capital (excluding, for the avoidance of doubt, any shares of that class held as treasury shares), or the voting rights (excluding, for the avoidance of doubt, any voting rights attached to shares held as treasury shares), in such body corporate;
- any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which he may benefit and which either:
 - has been approved, or is conditional on approval, by the board of HM Revenue and Customs for taxation purposes; or
 - relates both to employees and Directors of the Company (or any associated company) and does not award him any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates; and
 - any contract or other proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any Directors or for persons including Directors.

Subject to the 2006 Act and the Articles but without prejudice to any indemnity to which he may otherwise be entitled, every Director, alternate Director or Secretary (or former Director or Secretary) of the Company or of any associated company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in the execution or purported execution or discharge of his duties or in the exercise or purported exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

This indemnity shall not operate to provide an indemnity against any liability attaching to a Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any associated company except as permitted by law.

6.14 *Duration of the Company*

Subject as provided below the period fixed for the duration of the Company shall expire on the earlier of:

- (a) the 31 December 2015 or if that date is not a business day then on the immediately preceding business day; and

- (b) the date 60 days after the date on which the Directors have been informed by the Investment Manager and/or the Secretary (and as subsequently certified by the Auditors) that the Company's gross assets (as derived from the weekly statement of the Company's Net Asset Value released to a Regulatory Information Service) for four consecutive weeks has been £5 million or less, (the "**Termination Day**").

The Directors shall convene a general meeting of the Company to be held on the Termination Day at which a resolution shall be proposed requiring that the Company be wound up voluntarily. At such meeting the vote of those members entitled to vote shall be taken by poll.

At any such general meeting, those holders of Shares who (being individuals) are present in person or by proxy (or being corporations are present by proxy or by duly authorised representative) and entitled to vote and who vote in favour of the resolution shall, on a poll, have such number of votes in respect of each Share held by them (including fractions of a vote) so that the aggregate number of votes cast in favour of the resolution is four times the aggregate number of votes cast against the resolution and each member present in person or by proxy and entitled to vote and who votes against such resolution shall on a poll have one vote for each Share held.

7. Related Party Transactions

The Company has not entered into any related party transactions with any Director during the financial periods ended 31 December 2006, 31 December 2007 and 31 December 2008 nor during the period 1 January 2009 to 18 November 2009 (being the latest practicable date prior to the publication of this document).

8. Material contracts

- 8.1 The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company within the two years immediately preceding the date of this document or contain any provision under which the Company has any obligation or entitlement which is material to the Company:

8.1.1 Repurchase Agreement

A repurchase agreement dated 24 November 2009 has been entered into between the Company and J.P. Morgan Cazenove. Under the terms of the Repurchase Agreement J.P. Morgan Cazenove has agreed the terms upon which it shall, as principal, purchase on market all the Ordinary Shares and ZDP Shares successfully tendered under the Tender Offers (following implementation of the Matching Purchase Facility and the Placing) at the Ordinary Share Tender Price and the ZDP Share Tender Price respectively.

Under the terms of the Repurchase Agreement which is conditional upon the Tender Offers becoming unconditional in accordance with their terms and not having been suspended or terminated, the Company will acquire such number of Ordinary Shares and ZDP Shares from J.P. Morgan Cazenove at the relevant Tender Price per share, which equates to the number of Ordinary Shares and ZDP Shares validly tendered under the Tender Offers and purchased by J.P. Morgan Cazenove as principal after taking account of the operation of the Matching Purchase Facility and the Placing.

The agreement contains certain warranties and representations from J.P. Morgan Cazenove in favour of the Company which are customary for an agreement of this nature. The Company has also undertaken in favour of J.P. Morgan Cazenove that in fulfilling its obligations under the agreement it is acting in accordance with the 2006 Act, the Listing Rules, the rules of the London Stock Exchange and the arrangements set out in this document.

8.1.2 *Placing Agreement*

By a placing agreement dated 24 November 2009 among (i) the Company, (ii) the Investment Manager and (iii) J.P. Morgan Cazenove, J.P. Morgan Cazenove has agreed, subject to the conditions referred to below, (a) to act as sponsor in connection with the application for Admission and (b) as agent of the Company, to use its reasonable endeavours to procure subscribers for New Shares under the Placing. The Placing, which has not been underwritten by J.P. Morgan Cazenove, is conditional upon *inter alia* the Resolution to be proposed at the General Meeting being passed and the Tender Offers becoming unconditional in all respects.

Conditional on Admission, the Company will pay to J.P. Morgan Cazenove a fee equal to the aggregate of (i) 0.5 per cent. of the value of the Shares of those Shareholders who do not tender their Shares under the Tender Offers; (ii) 1.25 per cent. of the aggregate value, at the Purchase Price, of any New Shares issued under the Placing. In addition, conditional on Admission, the Company will pay to J.P. Morgan Cazenove a fee of £150,000 (excluding any VAT). The Company will also pay all other costs and expenses incurred in connection with the Proposals, including J.P. Morgan Cazenove's out-of-pocket expenses and legal fees. Under the Placing, which may be terminated by J.P. Morgan Cazenove in certain circumstances prior to closing of the Placing (including by reason of *force majeure*), the Company and the Investment Manager have given certain warranties and indemnities (which are customary for this type of agreement) to J.P. Morgan Cazenove concerning, *inter alia*, the accuracy of the information contained in this document.

8.1.3 *Investment Management Agreement*

The Investment Management Agreement dated 26 September 2003 between the Company and the Investment Manager under which the Company has appointed the Investment Manager to provide the Company with investment management services. The Agreement is subject to termination on 12 months' notice. Under the Investment Management Agreement, the Investment Manager is entitled to receive a fixed management fee equal to 1 per cent. per annum of the Company's gross assets after deducting current liabilities (excluding borrowings incurred for investment purposes) payable monthly in arrears (plus any applicable VAT). For these purposes, assets invested in other funds or companies managed or advised by the Investment Manager or its subsidiaries are disregarded. The Investment Manager will also be reimbursed its reasonable out of pocket expenses.

The Investment Manager is also entitled to a performance fee in respect of each accounting period of the Company commencing with the period ending 31 December in any year if (i) the dividends paid or proposed to be paid on each Ordinary Share in respect of that accounting period equal at least 6.75p (on an annualised basis in respect of the Company's first accounting period) and (ii) the aggregate of the gross assets at the end of the period exceed the highest level of gross assets at the end of any previous accounting period or (if higher) the initial gross assets by more than 7.5 per cent. (again on an annualised basis). In that event, the performance fee will be equal to 15 per cent. of the excess in (ii) above.

The Investment Manager has the benefit of an indemnity from the Company in relation to liabilities incurred by the Investment Manager in the discharge of its duties under the Investment Management Agreement other than those arising by reason of any fraud, wilful default, negligence, bad faith or breach of express obligation or regulatory requirements on the part of the Investment Manager or its employees or agents.

8.1.4 *Administration Agreement*

The Administration Agreement dated 26 September 2003 between the Company and the Secretary relating to the provision of secretarial and administrative services by the Secretary to the Company. The agreement is terminable on 12 months' notice in writing by either party and on shorter notice in the event of material breach of contract or liquidation of either party. The Secretary receives a monthly fee, payable monthly in arrears, of 0.0104 per cent. (equivalent to

0.125 per cent. annually) of the first £100 million of gross assets of the Company from time to time and 0.00625 per cent. (equivalent to 0.075 per cent. annually) thereafter, subject to a minimum annual fee of £75,000 (plus applicable VAT). The Company will reimburse the Secretary in respect of reasonable out of pocket expenses including transaction, and banking fees and charges. The Secretary has the benefit of an indemnity from the Company under the terms of the Administration Agreement in relation to liabilities incurred in the discharge of its duties other than those arising by reason of any fraud, wilful default, negligence, bad faith or breach of express obligation.

The Secretary has delegated certain of its functions to Northern Trust, which receives fees directly from the Secretary in respect of the provision of such services.

8.1.5 *Custody Agreement*

A custody agreement dated 26 September 2003 between the Company and the Custodian whereby the Company has appointed the Custodian to act as custodian of the Company's investments, cash and other assets and to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian or any of its sub-custodians. Either party is able to terminate the Custody Agreement on 30 days' notice in writing. The Custodian has an indemnity from the Company in relation to liabilities incurred in the performance of its duties other than those incurred as a result of its negligence, fraud or, wilful default or breach of express obligation and a general lien in respect of liabilities owing by the Company. The Custody Agreement provides that the Custodian will be liable for direct losses incurred by the Company that result from any appointed sub-custodian's failure to use reasonable care in the provision of custodial services, fraud or wilful default. The Custodian is not, however, liable for losses arising as a result of a sub-custodian going into liquidation or insolvency except in the case of an affiliated sub-custodian. The Custodian will receive fees for the provision of such services, subject to a maximum individual transaction fee of £90 and an annual maximum safe keeping custody fee of 0.3 per cent. of the value of the Company's gross assets (plus applicable VAT).

8.1.6 *Registrar Agreement*

A registrar agreement dated 26 September 2003 pursuant to which the Registrar acts as registrar to the Company. Under the Registrar Agreement, the Registrar is entitled to a fee calculated principally on the basis of the number of holders, which have appeared on the register at any time during each month and on the number of transfers in that period. The Registrar Agreement may be terminated on six months' notice by either party.

9. Litigation and other proceedings

There are, and have been, no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.

10. Miscellaneous

- 10.1 The annual audited accounts of the Company for each of the three years ended 31 December 2006, 31 December 2007 and 31 December 2008 were audited by the Company's auditors, Ernst & Young LLP, Chartered Accountants and regulated by the Institute of Chartered Accountants in England and Wales, of 1 More London Place, London SE1 2AF.
- 10.2 Ernst & Young LLP has made reports under Section 235 of the 1985 Act in respect of the years ended 31 December 2006, 31 December 2007 and 31 December 2008 on the financial statements of the Company, all of which were unqualified and did not contain any statement as described in Section 237(2) or (3) of the 1985 Act. Statutory accounts of the Company have been delivered to the Registrar of Companies in England and Wales for each of the three financial years ended 31 December 2006,

31 December 2007 and 31 December 2008. The reports of Ernst & Young LLP for each such year contained the following statement: “To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed”.

- 10.3 J.P. Morgan Cazenove has given and not withdrawn its written consent to the issue of this document with the inclusion of the reference to its name in the form and context in which it appears.
- 10.4 The total costs and expenses of and incidental to the Proposals (including legal and other professional costs, printing and other expenses) are estimated to amount to £418,000 (excluding any commission and stamp duty payable) inclusive of VAT and are to be borne by the Company.
- 10.5 To the extent that any Shares are purchased by the Company under the Repurchase Agreement, the Company’s total assets will decrease and this will have a negative impact on the Company’s earnings.
- 10.6 The Ordinary Shares and ZDP Shares are listed on the Official List. The Ordinary Shares and ZDP Shares and New Ordinary Shares and New ZDP Shares are or will be, as the case may be, in registered form.
- 10.7 The ISIN (International Security Identification Number) of the Ordinary Shares is GB0033537902.
- 10.8 The ISIN of the ZDP Shares is GB0033538207.

11. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) from the date of publication of this document until the close of business on 18 December 2009 at the Company’s registered office and at the offices of Maclay Murray & Spens LLP, One London Wall, London, EC2Y 5AB:

- 11.1 the existing memorandum and articles of association of the Company;
- 11.2 the proposed New Articles of Association and a copy of the New Articles blacklined to show the changes from the existing Articles;
- 11.3 the audited accounts of the Company for the two years ended 31 December 2008 and the unaudited financial statements of the Company for the six months ended 30 June 2009; and
- 11.4 this document.

In addition, copies of the documents referred to in paragraphs 11.1 to 11.4 above will be available for inspection for at least 15 minutes prior to, and during, the General Meeting at the offices of J.P. Morgan Cazenove Limited, 20 Moorgate, London EC2R 6DA, where the General Meeting will be held.

12. Availability of this Prospectus

Copies of this document are available for viewing, free of charge during normal business hours, at the Document Viewing Facility, the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS, and at the Company’s registered office at Eastgate Court, High Street, Guildford, Surrey GU1 3DE. Copies of this document may also be collected, free of charge during normal business hours, from the Company at its registered office at Eastgate Court, High Street, Guildford, Surrey GU1 3DE and from the date of this document up to and including 18 December 2009, from J.P. Morgan Cazenove, 20 Moorgate, London EC2R 6DA.

PART 12

DEFINITIONS

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

“1985 Act”	the Companies Act 1985;
“2006 Act” or “Companies Act”	the Companies Act 2006;
“Administration Agreement”	the administration agreement between the Company and Premier Asset Management Limited dated 26 September 2003;
“Admission(s)”	the admission of the New Ordinary Shares and the New ZDP Shares pursuant to the terms of the Placing to the Official List and to trading on the Main Market becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “admission and disclosure standards” dated 1 October 2008 containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s markets for listed securities;
“AIC”	Association of Investment Companies;
“AIC Code”	the framework for best practice for member companies published by the AIC;
“Articles” or “Articles of Association”	the articles of association of the Company;
“Assumptions”	the principal assumptions set out in Part 9 of this document;
“Australia”	the Commonwealth of Australia, its territories and possessions;
“Board” or “Directors”	the directors of the Company, whose names appear on page 20 of this document;
“Calculation Date”	17 December 2009;
“Canada”	Canada, its provinces and territories and all areas subject to its jurisdiction and any political subdivision thereof;
“Capita Registrars”	a trading name of Capita Registrars Limited;
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not held in CREST);
“City Code”	the City Code on Takeovers and Mergers;
“Class Meetings”	the separate class meetings of the ZDP Shareholders and the Ordinary Shareholders convened, respectively, by the notices set out on pages 107 and 109 of this document, or any adjournment(s) thereof;
“Closing Date”	the closing date for the tender of Shares under the Tender Offers;
“Combined Code”	the UK Combined Code on Corporate Governance dated June 2008, as amended from time to time;

“Company”	Premier Energy and Water Trust PLC;
“Cover”	1.5 times
“CREST”	the computerised settlement system (as defined in the Regulations) to facilitate the paperless settlement of trades in securities and the holding of securities in uncertificated form operated by Euroclear;
“Custodian”	The Northern Trust Company;
“Custody Agreement”	the custody agreement between the Company and the Custodian dated 26 September 2003;
“Dividend Record Date”	the record date for the payment of the third interim dividend;
“Euroclear”	Euroclear UK & Ireland Limited;
“Excluded Overseas Shareholders”	Overseas Shareholders who are resident in, or citizens, residents or nationals of, a Restricted Territory;
“Financial Services and Markets Act” or “FSMA”	the Financial Services and Markets Act 2000, as amended;
“Final Capital Entitlement”	the amount per ZDP Share that a holder of ZDP Shares will be entitled to on the Revised Winding Up Date following implementation of the Proposals to be announced on 18 December 2009;
“Final Cover”	the ratio that (1) the aggregate value of the Company’s assets less liabilities following implementation of the Proposals bears to (2) all ZDP Shareholders, including the Final Capital Entitlement of the ZDP Shares due on the Revised Winding Up Date, and any management fees charged to capital;
“Financial Services Authority” or “FSA”	the Financial Services Authority in the UK;
“Form of Direction”	the form of direction for use in respect of Shares held through the Premier ISA Scheme;
“Form of Proxy”	the relevant form of proxy for use by Shareholders at each of the Shareholder Meetings;
“Gearing”	the ratio of gross assets to Ordinary Share net assets;
“General Meeting”	the General Meeting of the Company convened by the notice set out on pages 111 to 113 of this document, or any adjournment thereof;
“GRY”	the gross redemption yield set on the ZDP Shares, being the rate at which the capital entitlement of such shares will accrue to produce a final capital entitlement on 31 December 2015, to be announced on 18 December 2009;
“Hurdle Rate”	in relation to an Ordinary Share, the annualised growth rate of the gross assets of the Company required in order for Ordinary Shareholders to receive the Tender/Purchase Price of an Ordinary Share on a winding-up of the Company on the Revised Winding Up Date and in relation to a ZDP Share, the annualised growth rate of the gross assets of the Company required to fully repay the final capital entitlement of the ZDP Shares after repaying any management fee charged to capital over the remaining life of the ZDP Shares following implementation of the Proposals, in each case on the basis of the Assumptions;

“IFRS”	International Financial Reporting Standards;
“Investment Management Agreement”	the investment management agreement between the Company and the Investment Manager dated 26 September 2003;
“Investment Manager”	Premier Fund Managers Limited;
“J.P. Morgan Cazenove”	J.P. Morgan Cazenove Limited;
“Listing Rules”	the rules and regulations made by the FSA under Part VI of the Financial Services and Markets Act;
“London Stock Exchange”	London Stock Exchange Plc;
“Main Market” or “London Stock Exchange’s Main Market”	the London Stock Exchange’s market for larger and established companies;
“Matching Purchase Facility”	the facility to be provided by J.P. Morgan Cazenove in connection with the Tender Offers whereby Shareholders may purchase Shares at the relevant Tender Price to the extent that there are Shares validly tendered by other Shareholders;
“member account ID”	the identification code or number attached to any member account in CREST;
“NAV” or “Net Asset Value”	the value of the assets of the Company less its liabilities, determined in accordance with the accounting principles adopted by the Company from time to time, or, as the context requires, the net asset value per share calculated in accordance with the Company’s accounting policies;
“Net Redemption Yield”	in relation to an Ordinary Share, the annualised total return from both dividends and capital;
“New Articles” or “New Articles of Association”	the new articles of association of the Company to be adopted at the General Meeting;
“New Ordinary Shares”	New Ordinary Shares to be issued pursuant to the Placing;
“New Shares”	New Ordinary Shares and/or New ZDP Shares;
“New ZDP Shares”	new ZDP Shares to be issued pursuant to the Placing;
“Northern Trust”	Northern Trust Global Services Limited;
“Notice of General Meeting”	the notice of the General Meeting set out at pages 111 to 113 of this document;
“OECD”	Organisation for Economic Co-operation and Development;
“Official List”	the official list of the UKLA;
“Ordinary Share Purchase Form”	the purchase form for use by Shareholders in relation to the purchase of Ordinary Shares under the Matching Purchase Facility;
“Ordinary Share Purchase Price”	the purchase price for the Ordinary Shares under the Matching Purchase Facility and the Placing, being the amount equal to the Ordinary Share Tender Price;
“Ordinary Share Tender Form”	the tender form for use by Ordinary Shareholders in relation to the tendering of Ordinary Shares under the Ordinary Share Tender Offer;

“Ordinary Share Tender Offer”	the invitation by J.P. Morgan Cazenove to Ordinary Shareholders (other than Excluded Overseas Shareholders) to tender Ordinary Shares for purchase on the terms and subject to the conditions set out in this document and in the Ordinary Share Tender Form;
“Ordinary Share Tender Price”	the price which represents a 5 per cent. discount to the NAV per Ordinary Share on the Calculation Date expressed in pence to four decimal places with a 0.00005p being rounded downwards;
“Ordinary Shareholders”	the holders of Ordinary Shares;
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company;
“Overseas Shareholders”	Shareholders whose registered address is outside the UK or who are citizens, nationals or residents of countries other than the UK;
“Panel”	the Panel on Takeovers and Mergers;
“participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant;
“Placing”	the placing of tendered Shares and/or New Shares with institutional clients of J.P. Morgan Cazenove;
“Placing Agreement”	the agreement between the Company, the Investment Manager and J.P. Morgan Cazenove relating, <i>inter alia</i> , to the Placing;
“Planned Winding Up Date”	31 December 2010;
“Premier”	Premier Asset Management Group Limited;
“Premier ISA Application Form”	the application form for use by participants in the Premier ISA Scheme to purchase Ordinary Shares under the Matching Purchase Facility;
“Premier ISA Scheme”	Premier Individual Savings Account;
“Premier ISA Scheme Tender Forms”	the tender form in respect of Ordinary Shares held by participants in the Premier ISA Scheme;
“Proposals”	the proposals detailed in this document comprising the extension of the life of the Company until 31 December 2015, the amendment to the terms of the ZDP Shares, the Tender Offers, the Matching Purchase Facility, the Placing, and the adoption of the New Articles;
“Prospectus Rules”	the prospectus rules made under Part VI of the Financial Services and Markets Act;
“Purchase Forms”	the Ordinary Share Purchase Form and/or the ZDP Share Purchase Form;
“Purchase Price”	the Ordinary Share Purchase Price and/or the ZDP Share Purchase Price as the context so requires;
“Receiving Agent”	Capita Registrars;
“Record Date”	the record date for the Tender Offers being 5.00 p.m. on 15 December 2009;
“Register”	the register of Shareholders of the Company;
“Registrar”	Capita Registrars;

“Registrar Agreement”	the registrar agreement in respect of the appointment of a Registrar to the Company dated 26 September 2003;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“Regulatory Information Service” or “RIS”	a regulatory information service that is on the list of regulatory information services maintained by the FSA;
“Relevant Proportion”	the ratio of assets as described in Part 3 of this document;
“Relevant Proportion Ratio”	the ratio of Ordinary Shares to ZDP Shares to be announced on 18 December 2009;
“Repurchase Agreement”	the agreement between J.P. Morgan Cazenove and the Company relating, <i>inter alia</i> , to the repurchase of Shares from J.P. Morgan Cazenove by the Company following the implementation of the Tender Offers;
“Resolutions”	the resolutions to be proposed at the Class Meetings and/or the General Meeting, as the context so requires;
“Restricted Territory”	the United States, Canada, Australia, Japan and the Republic of South Africa;
“Revised Winding Up Date”	31 December 2015;
“Secretary”	Premier Asset Management Limited;
“Securities Act”	the US Securities Act of 1933, as amended;
“Shareholder Meetings”	the General Meeting and the Class Meetings;
“Shareholders”	the holders of Ordinary Shares and/or ZDP Shares, as the context so requires;
“Shares”	Ordinary Shares and/or ZDP Shares, as the context so requires;
“Sponsor”	J.P. Morgan Cazenove;
“Tender Form(s)”	the Ordinary Share Tender Form and/or the ZDP Share Tender Form;
“Tender Offers”	the Ordinary Share Tender Offer and/or the ZDP Share Tender Offer;
“Tender Offers Record Date”	the record date for the tender of Shares under the Tender Offers;
“Tender Price”	the Ordinary Share Tender Price and/or the ZDP Share Tender Price as the context so requires;
“TFE Instruction”	a transfer from escrow instruction (as defined by the CREST Manual issued by Euroclear);
“TTE Instruction”	a transfer to escrow instruction (as defined by the CREST Manual issued by Euroclear);
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA” or “UK Listing Authority”	the Financial Services Authority in its capacity as competent authority under Part VI of the Financial Services and Markets Act;

“uncertificated” or “in uncertificated form”	recorded on the register of members of the Company as being held in uncertificated form (that is, securities held in CREST);
“United States” or “US”	the United States of America, its possessions or territories, any state of the United States of America and the District of Columbia or any area subject to its jurisdiction or any political subdivision thereof;
“US Person”	a US Person as defined by Regulation S of the Securities Act;
“ZDP Shareholders”	the holders of ZDP Shares;
“ZDP Share Purchase Form”	the purchase form for use by Shareholders in relation to the purchase of ZDP Shares under the Matching Purchase Facility;
“ZDP Share Purchase Price”	means the purchase price for the Ordinary Shares under the Matching Purchase Facility and the Placing, being the amount equal to the ZDP Share Tender Price;
“ZDP Share Tender Form”	the tender form for use by ZDP Shareholders in relation to the tendering of ZDP Shares under the ZDP Share Tender Offer;
“ZDP Share Tender Offer”	the invitation by J.P. Morgan Cazenove to ZDP Shareholders (other than Excluded Overseas Shareholders) to tender ZDP Shares for purchase on the terms and subject to the conditions set out in this document and in the ZDP Share Tender Form;
“ZDP Share Tender Price”	156p per ZDP Share representing a premium of 4.61p to the Net Asset Value per ZDP Share of 151.39p; and
“ZDP Shares”	zero dividend preference shares of 1p each in the capital of the Company.

NOTICES OF SHAREHOLDER MEETINGS

PREMIER ENERGY AND WATER TRUST PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 4897881)

(An investment company under section 833 of the Companies Act 2006)

NOTICE OF SEPARATE CLASS MEETING OF ZERO DIVIDEND PREFERENCE SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a separate class meeting of the holders of Zero Dividend Preference Shares of 1p each in Premier Energy and Water Trust PLC (the “**Company**”) will be held at 10.00 a.m. on Friday, 18 December 2009 at 20 Moorgate, London EC2R 6DA, to consider and, if thought fit, pass the following resolution as a special resolution:

SPECIAL RESOLUTION

- (1) **THAT**, in accordance with Article 4.2.2(a), 4.2.2(b), 4.2.2(e) and 7.1.2 respectively of the Company’s articles of association, the holders of the zero dividend preference shares of 1p each in the capital of the Company hereby sanction and consent to the passing and carrying into effect of the resolution contained in the notice of the general meeting of the Company convened for 10.30 a.m. on 18 December 2009 (a copy of which is produced to the meeting and signed by the Chairman thereof for the purpose of identification).

By the order of the Board
Premier Asset Management Limited
Secretary

24 November 2009

Registered Office:

Eastgate Court
High Street
Guildford
Surrey
GU1 3DE

Notes:

1. Information about this Meeting is available from the Investment Manager’s website www.premierfunds.co.uk.
2. A member entitled to attend and vote at the Meeting may appoint one or more persons as their proxy to attend, speak and vote on their behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed, they must not be appointed in respect of the same Shares. To be effective, the enclosed pink Form of Proxy duly executed, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the postal address or email address shown on the Form of Proxy not later than 48 hours before the time of the Meeting. The appointment of a proxy will not prevent a ZDP Shareholder from attending the meeting and voting in person if he/she so wishes. A ZDP Shareholder present in person or by proxy shall have one vote on a show of hands and on a poll every ZDP Shareholder present in person or by proxy shall have one vote for every ZDP Share of which they are the holder.
3. As a member, you have the right to put questions at the Meeting relating to the business being dealt with at the Meeting.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company’s agent, Capita Registrars (RA10), by the latest time for receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the

message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the ZDP Shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the ZDP Shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes 2 and 3 above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
9. The right to vote at the Meeting is determined by reference to the Company's register of members as at 6:00 p.m. on 16 December 2009. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.
10. As at 18 November 2009 (being the last practicable date prior to the publication of this notice), the Company's issued share capital amounted to 18,143,433 Ordinary Shares and 19,143,433 ZDP Shares. The total voting rights in the Company as at 18 November 2009 was 37,286,866.

PREMIER ENERGY AND WATER TRUST PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 4897881)

(An investment company under section 833 of the Companies Act 2006)

NOTICE OF SEPARATE CLASS MEETING OF ORDINARY SHAREHOLDERS

NOTICE IS HEREBY GIVEN that a separate class meeting of the holders of Ordinary Shares of 1p each in Premier Energy and Water Trust PLC (the “**Company**”) will be held at 10.15 a.m. on Friday, 18 December 2009 at 20 Moorgate, London EC2R 6DA (or as soon thereafter as the immediately preceding separate class meeting of Zero Dividend Preference Shareholders is concluded or adjourned), to consider and, if thought fit, pass the following resolution as a special resolution:

SPECIAL RESOLUTION

- (1) **THAT**, in accordance with Article 7.1.2 of the Company’s articles of association, the holders of the ordinary shares of 1p each in the capital of the Company hereby sanction and consent to the passing and carrying into effect of the resolution contained in the notice of the general meeting of the Company convened for 10.30 a.m. on 18 December 2009 (a copy of which is produced to the meeting and signed by the Chairman thereof for the purpose of identification).

By the order of the Board
Premier Asset Management Limited
Secretary

24 November 2009

Registered Office:

Eastgate Court
High Street
Guildford
Surrey
GU1 3DE

Notes:

1. Information about this Meeting is available from the Investment Manager’s website www.premierfunds.co.uk.
2. A member entitled to attend and vote at the Meeting may appoint one or more persons as their proxy to attend, speak and vote on their behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed, they must not be appointed in respect of the same Shares. To be effective, the enclosed blue Form of Proxy duly executed, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the postal address or email address shown on the Form of Proxy not later than 48 hours before the time of the Meeting. The appointment of a proxy will not prevent an Ordinary Shareholder from attending the meeting and voting in person if he/she so wishes. An Ordinary Shareholder present in person or by proxy shall have one vote on a show of hands and on a poll every Ordinary Shareholder present in person or by proxy shall have one vote for every Ordinary Share of which they are the holder.
3. As a member, you have the right to put questions at the Meeting relating to the business being dealt with at the Meeting.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company’s agent, Capita Registrars (RA10), by the latest time for receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
6. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
8. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the Ordinary Shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the Ordinary Shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes 2 and 3 above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
9. The right to vote at the Meeting is determined by reference to the Company's register of members as at 6:00 p.m. on 16 December 2009. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.
10. As at 18 November 2009 (being the last practicable date prior to the publication of this notice), the Company's issued share capital amounted to 18,143,433 Ordinary Shares and 19,143,433 ZDP Shares. The total voting rights in the Company as at 18 November 2009 was 37,286,866.

PREMIER ENERGY AND WATER TRUST PLC

(incorporated in England and Wales under the Companies Act 1985 with registered number 4897881)

(An investment company under section 833 of the Companies Act 2006)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of Premier Energy and Water Trust PLC will be held at 10.30 a.m. on Friday, 18 December 2009 at 20 Moorgate, London EC2R 6DA (or as soon thereafter as the immediately preceding separate class meeting of Ordinary Shareholders is concluded or adjourned) to consider and, if thought fit, pass the following resolution which will be proposed as a special resolution:

SPECIAL RESOLUTION

THAT, subject to and conditional upon the passing by the holders of ZDP Shares and the holders of Ordinary Shares of the Resolutions set out in the notices of meeting convening each of the Class Meetings of such holders (or at any adjournment(s) thereof):

- (i) the Proposals be and are hereby approved including, without limitation for the purposes of Listing Rule 9.5.10R(3)(a), the issue of Ordinary Shares under the Placing at a price which represents a discount of 5 per cent. to Net Asset Value per Ordinary Share on the Calculation Date and may constitute a discount of more than 10 per cent. to the middle market price of an Ordinary Share at such date;
- (ii) the articles of association in the form produced to this meeting and signed for the purpose of identification by the chairman of the meeting be and are hereby adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company (including all the provisions of the Company's memorandum of association which, by virtue of section 28 of the 2006 Act, are treated as provisions of the articles of association);
- (iii) in addition to any existing authority granted under section 80 of the 1985 Act the Directors be and they are hereby generally and unconditionally authorised, in accordance with section 551 of the 2006 Act, to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (such shares and rights being together "relevant securities") in connection with and for the purposes of the Placing up to an aggregate nominal amount of £380,000, representing 18,000,000 Ordinary Shares of 1p each and 20,000,000 ZDP Shares of 1p each, such authorisation to expire on 31 March 2010, unless such authority is previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if such authority had not expired;
- (iv) in addition to any existing power under section 95(1) of the 1985 Act, the Directors be and they are hereby empowered, in accordance with section 570(1) of the 2006 Act, to allot equity securities (as defined in section 560 of the 2006 Act) pursuant to the authorisation under section 551 of the 2006 Act as conferred by sub-paragraph (iii) above for cash, as if section 561(1) of the 2006 Act did not apply to any such allotment, up to an aggregate maximum amount of £380,000, such power to expire on 31 March 2010 unless previously revoked, varied or renewed by the Company in general meeting, save that the Company may, at any time prior to the expiry of such power, make an offer to enter into an agreement which would or might require equity securities to be allotted after the expiry of such power and the Directors may allot equity securities in pursuance of such an offer or agreement as if such power had not expired;
- (v) in accordance with the terms and conditions of the Tender Offers, the Company be and it is hereby generally and unconditionally authorised for the purposes of section 701 of the 2006 Act:
 - (A) to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of Ordinary Shares provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 7,257,373 Ordinary Shares;
 - (b) the price which may be paid for an Ordinary Share is the Ordinary Share Tender Price which shall be both the maximum and minimum price for the purposes of section 701 of the 2006 Act;
 - (c) unless previously renewed, varied or revoked the authority hereby conferred shall expire on 31 March 2010; and
 - (d) the Company may make a contract or contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of Ordinary Shares in pursuance of any such contract or contracts;
- (B) to make one or more market purchases (within the meaning of section 693(4) of the 2006 Act) of ZDP Shares provided that:
- (a) the maximum number of ZDP Shares hereby authorised to be purchased is 7,657,373 ZDP Shares;
 - (b) the price which may be paid for a ZDP Share is 156 pence which shall be both the maximum and minimum price for the purposes of section 701 of the 2006 Act;
 - (c) unless previously renewed, varied or revoked the authority hereby conferred shall expire on 31 March 2010; and
 - (d) the Company may make a contract or contracts to purchase ZDP Shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ZDP Shares in pursuance of any such contract or contracts; and
- (vi) for the purposes of this special resolution, words and expressions used herein shall bear the same meaning as contained in the Prospectus and Circular to shareholders of Premier Energy and Water Trust PLC dated 24 November 2009.

By the order of the Board
Premier Asset Management Limited
Secretary

24 November 2009

Registered Office:
Eastgate Court
High Street
Guildford
Surrey
GU1 3DE

Notes:

1. Information about this Meeting is available from the Investment Manager's website www.premierfunds.co.uk.
2. A member entitled to attend and vote at the Meeting may appoint one or more persons as their proxy to attend, speak and vote on their behalf at the meeting. A proxy need not be a member of the Company. If multiple proxies are appointed, they must not be appointed in respect of the same Shares. To be effective, the enclosed white Form of Proxy duly executed, together with any power of attorney or other authority under which it is signed or a certified copy thereof, should be lodged at the postal address or email address shown on the Form of Proxy not later than 48 hours before the time of the Meeting. The appointment of a proxy will not prevent a Shareholder from attending the meeting and voting in person if he/she so wishes. Shareholders present in person or by proxy shall have one vote on a show of hands and on a poll every Shareholder present in person or by proxy shall have one vote for every Share of which they are the holder.
3. As a member, you have the right to put questions at the Meeting relating to the business being dealt with at the Meeting.
4. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
5. In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, in order to be valid, must be transmitted so as to be received by the Company's agent, Capita Registrars (RA10), by the latest time for receipt of proxy appointments specified in note 2 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
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8. A person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the Shareholder by whom they were nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights. The statements of the rights of members in relation to the appointment of proxies in notes 2 and 3 above do not apply to a Nominated Person. The rights described in those notes can only be exercised by registered members of the Company.
9. The right to vote at the Meeting is determined by reference to the Company's register of members as at 6:00 p.m. on 16 December 2009. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the Meeting.
10. As at 18 November 2009 (being the last practicable date prior to the publication of this notice), the Company's issued share capital amounted to 18,143,433 Ordinary Shares and 19,143,433 ZDP Shares. The total voting rights in the Company as at 18 November 2009 was 37,286,866.

