cleanenergybrazil plc

Investing directly into Brazil's sugar and ethanol industry

Local leadership, international markets, developed world governance

Placing and Admission to AIM

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult your stockbroker, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors of the Company whose names are set out on page 4 accept individual and collective responsibility for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the whole of the issued and to be issued ordinary share capital and warrants of Clean Energy Brazil plc to be admitted to trading on AIM, a market operated by the London Stock Exchange plc (the "London Stock Exchange"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority ("Official List").

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. Neither the London Stock Exchange nor the United Kingdom Listing Authority have examined or approved the contents of this document. The Ordinary Shares and the Warrants are not dealt in on any other recognised investment exchange.

This document has not been delivered to the Isle of Man Financial Supervision Commission for registration as a prospectus pursuant to section 38 of the Isle of Man Companies Act 1931 on the basis that the offer of Ordinary Shares and the Warrants constituted hereby is a "private placement" as defined in the Isle of Man Companies (Private Placements) (Prospectus Exemptions) Regulations 2000. Neither this document nor the Placing has been approved by the Isle of Man Financial Supervision Commission or any other governmental or regulatory authority in or of the Isle of Man.

Neither this document nor the Placing has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Placing or the accuracy or adequacy of this document or any information or document included herein. Any representation to the contrary is a criminal offence.

It is expected that Admission will become effective and dealings in the Ordinary Shares and the Warrants will commence on AIM on 18 December 2006.

Attention is drawn to the risks associated with an investment in the Company which are set out in Part III of this document.

CLEAN ENERGY BRAZIL PLC

(Incorporated in the Isle of Man with registered number 117766C)

Placing by
Numis Securities Limited
of 100,000,000 Ordinary Shares of 1p each at 100p per share
Proposed issue of 25,000,000 Warrants to subscribe for Ordinary Shares at 100p per share and
Admission to trading on AIM

Nominated Adviser:
Smith & Williamson Corporate Finance Limited

SHARE CAPITAL

Following completion of the Placing, the authorised and issued share capital of the Company will be as follows:

Authorised			*Issued and fully paid*	
£	*Number*		£	*Number*
6,000,000	600,000,000	ordinary shares of 1p each	1,000,000	100,000,000

Numis and Smith & Williamson Corporate Finance are authorised and regulated in the United Kingdom by the Financial Services Authority and are acting in their capacities as broker and placing agent and nominated adviser respectively exclusively for the Company and no-one else in connection with the Placing and Admission. Numis and Smith & Williamson Corporate Finance will not regard any other person as their "client" (as defined in the FSA's Handbook of Rules and Guidance) or be responsible to any other person for providing the protections afforded to clients of Numis and Smith & Williamson Corporate Finance nor for providing advice in relation to the transactions and arrangements detailed in this document. Numis and Smith & Williamson Corporate Finance are not making any representation or warranty, express or implied, as to the contents of this document.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy, the Placing Shares or Warrants in Canada, Australia, Japan, the Republic of South Africa or any other jurisdiction where to do so would constitute a violation of the relevant laws and regulatory requirements of that jurisdiction (the "Prohibited Territories") or the United States and, save in certain limited circumstances pursuant to applicable private placement exemptions, this document is not for distribution into the United States, or to any corporation, partnership or other entity created or organised under the laws thereof, or into the Prohibited Territories. The Placing Shares and Warrants have not been and will not be registered under the US Securities Act of 1933, as amended (the "US Securities Act") or under any state securities laws of the United States and, unless an exemption under such laws is available, may not be offered for sale or subscription or sold or subscribed, directly or indirectly, within the United States, or to any corporation, partnership or other entity created or organised under the laws thereof.

Numis may arrange for the offer and sale of the Placing Shares and Warrants in the United States to a limited number of persons reasonably believed to be "accredited investors" as such term is defined in Rule 501(a) under the US Securities Act in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation D, or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Placing Shares and Warrants being offered and sold outside the United States are being offered in reliance on Regulation S under the US Securities Act.

The Placing Shares and Warrants are not transferable except in compliance with the restrictions described in the section headed "US Transfer Restrictions".

The Placing is conditional, *inter alia*, on Admission taking place on or before 18 December 2006 (or such later date as the Company, Numis and Smith & Williamson Corporate Finance may agree). The Placing Shares will rank in full for dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all respects with all other Ordinary Shares which will be in issue on Admission.

Copies of this document which is dated 13 December 2006 will be available free of charge to the public during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the registered office of the Company and from the offices of Smith & Williamson Corporate Finance Limited at 25 Moorgate, London EC2R 6AY from the date of Admission for not less than one month thereafter.

Certain statements contained in this document, including any forecasts, any statement preceded by, followed by or that include the words "believes", "expects", "anticipates" or similar expressions and other statements contained therein regarding matters that are not historical facts are or may constitute forward-looking statements (as such term is defined in the US Private Securities Litigation Reform Act of 1995). Because such statements are inherently subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, those detailed in this document.

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PLACING STATISTICS

Placing Price	100p
Number of Placing Shares being issued	100,000,000
Number of Warrants being issued	25,000,000
Number of Ordinary Shares in issue following the Placing	100,000,000
Number of Warrants in issue following the Placing	25,000,000
Market capitalisation at the Placing Price	£100,000,000

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	13 December 2006
Admission and dealings in Ordinary Shares and the Warrants to commence on AIM	18 December 2006
CREST accounts credited	18 December 2006
Where applicable, definitive share certificates despatched	By 2 January 2007

DIRECTORS, SECRETARY AND ADVISERS

Directors *(all non-executive)*	Antonio Monteiro de Castro *(Chairman)* Michael Henry Hickes Beach St Aldwyn (Earl St Aldwyn) Richard Wilson Jewson Marcelo Schunn Diniz Junqueira Timothy Graham Walker Philip Peter Scales
Registered Office	IOMA House Hope Street Douglas Isle of Man IM1 1AP
Company Secretary	Philip Peter Scales
Investment Adviser	Temple Capital Partners Limited Queensgate House South Church Street PO Box 1234 Grand Cayman KYI- 1108 Cayman Islands
Broker and Placing Agent	Numis Securities Limited Cheapside House 138 Cheapside London EC2V 6LH
Nominated Adviser	Smith & Williamson Corporate Finance Limited 25 Moorgate London EC2R 6AY
Reporting Accountants	KPMG LLP 8 Salisbury Square London EC4Y 8BB Chartered Accountants regulated by the Institute of Chartered Accountants in England and Wales
Auditors	KPMG Audit LLC Heritage Court 41 Athol Street Douglas Isle of Man IM99 1HN Chartered Accountants regulated by the Institute of Chartered Accountants in England and Wales
UK Solicitors to the Company	Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA
Solicitors to the Nominated Adviser and the Broker and Placing Agent	Rosenblatt 9-13 St Andrew Street London EC4A 3AF

Isle of Man Advocates to the Company	Cains Advocates Limited 15-19 Athol Street Douglas Isle of Man IM1 1LB
Valuation Consultants	Nexia Auditores Independentes Nexia International Rua Leopoldo c. de Magalhães Jr 110, São Paulo, SP 04542-000
Tax Advisers to the Company	KPMG LLP 8 Salisbury Square London EC4Y 8BB
Administrator and Registrar	IOMA Fund and Investment Management Limited IOMA House Hope Street Douglas Isle of Man IM1 1AP
CREST Settlement Agent	Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road St Helier Jersey

DEFINITIONS

"Administration Agreement"	administration agreement dated 13 December 2006 between (1) the Company and (2) the Administrator whereby the Administrator has agreed to provide the Company with administrative, registrar and secretarial services as described in paragraph 11.5 of Part VI of this document
"Administrator"	IOMA Fund and Investment Management Limited
"Admission"	admission of the Existing Ordinary Shares, the Placing Shares and the Warrants to trading on AIM becoming effective in accordance with the AIM Rules
"Agrop"	Agropecária Orlando Prado Diniz Junqueira
"AIM"	AIM, a market operated by the London Stock Exchange
"AIM Rules"	rules published by the London Stock Exchange governing admission to and the operation of AIM
"Articles of Association" or "Articles"	articles of association of the Company
"Board" or "Directors"	directors of the Company
"Brazil"	Federative Republic of Brazil
"CEB Cayman"	a wholly owned subsidiary of the Company incorporated with the name Clean Energy Brazil Limited on 9 October 2006 in the Cayman Islands
"Certificated Form"	not in Uncertificated Form
"City Code"	the City Code on Takeovers and Mergers
"Combined Code"	revised combined code on the principles of good governance and code of best practice published in June 2006 by the Financial Reporting Council
"Company" or "CEB"	Clean Energy Brazil plc, a company incorporated in the Isle of Man with registered number 117766C
"Companies Acts"	the Companies Acts 1931-2004 (as amended) of the Isle of Man
"CREST"	relevant system (as defined in the CREST Regulations) in respect of which CRESTCo is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
"CRESTCo"	CRESTCo Limited
"CREST Regulations"	Uncertificated Securities Regulations 2005 of the Isle of Man (Statutory Document No. 754/05) including any modification or any regulations made in substitution under section 28 of the Isle of Man Companies Act 1992 and for the time being in force
"Czarnikow"	C. Czarnikow Sugar Ltd.
"EBIT"	earnings before interest and tax
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"Electronic Communications"	has the meaning ascribed to the term "electronic communications" in the Isle of Man Electronic Communications Act 2000
"English Act"	the Companies Act 1985 (as amended) of England and Wales

"Enterprise Value"	the full value of a business given by its equity value plus its debt, minus cash balances
"EU"	European Union
"Existing Ordinary Shares"	two Ordinary Shares in issue at the date of this document
"free cash flow"	operating income after tax plus depreciation and amortisation minus change in working capital minus capital expenditure
"FSA"	Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000 (as amended)
"Group" or "CEB Group"	Company and its subsidiaries from time to time
"Initial Portfolio"	the investment by the Company in Usaciga, as described in paragraph 4 of Part I of this document
"Investment Advisory Agreement"	agreement dated 13 December 2006 between (1) CEB Cayman and (2) Temple under which CEB Cayman has appointed Temple to be responsible for the provision of investment advice to CEB Cayman, as described in paragraph 11.2 of Part VI of this document
"IRR"	internal rate of return
"London Stock Exchange"	London Stock Exchange plc
"Nexia"	Nexia Auditores Independentes
"Numis"	Numis Securities Limited
"Official List"	Official List of the UK Listing Authority
"Ordinary Shares"	ordinary shares of 1p each in the capital of the Company
"Panel"	the Panel on Takeovers and Mergers
"Placing"	the placing of the Placing Shares at the Placing Price together with the Warrants and the Temple Placing Shares pursuant to the Placing Agreement
"Placing Agreement"	agreement dated 13 December 2006 and made between (1) Numis, (2) Smith & Williamson Corporate Finance, (3) the Directors and (4) the Company, a summary of the principal terms and conditions of which is set out in paragraph 8 of Part VI of this document
"Placing Price"	100p per Placing Share
"Placing Shares"	up to 100,000,000 new Ordinary Shares to be made available for subscription pursuant to the Placing
"Prohibited Territories"	Canada, Australia, Japan and the Republic of South Africa or any other jurisdiction where to offer to sell, invite to subscribe for or solicit an offer to buy the Placing Shares or Warrants or the Temple Placing Shares would constitute a violation of the relevant laws and regulatory requirements of that jurisdiction
"Proinfa Agreement"	the agreement dated 28 December 2004 as described in paragraph 11.7 of Part VI of this document
"Registrar"	IOMA Fund and Investment Management Limited
"R$" or "BRL" or "Brazilian Real"	the lawful currency of Brazil
"Shareholders"	holders of Ordinary Shares
"Smith & Williamson Corporate Finance"	Smith & Williamson Corporate Finance Limited

"Temple", "TCP" or "Investment Adviser"	Temple Capital Partners Limited, a company incorporated in the Cayman Islands with company number OG 175369
"Temple Placing Shares"	180,000 B shares of US$0.001 each in the capital of Temple, details of which are set in paragraph 8.2 of Part VI of this document
"Temple Service Provider/s"	Czarnikow and TCP Brazil
"Temple Shareholder/s"	Agrop, Czarnikow, Numis Corporation plc and Econergy International PLC
"TCP Brazil"	Temple Capital Partners Planejamento Empresarial Ltda, a subsidiary of Agrop, incorporated in Brazil
"UK Listing Authority"	FSA, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"Uncertificated Form"	shares recorded in the Company's register of Shareholders as being held in uncertificated form, title to which may be transferred by means of an instruction issued in accordance with the rules of CREST
"United Kingdom" or "UK"	United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US$" or "United States Dollar"	the lawful currency of the United States of America
"Usaciga"	Usaciga Acucar, Alcool e Energia Electrica Ltda.
"Usaciga Group"	Usaciga and its subsidiaries from time to time
"Usina"	Usina Cidade Gaúcha Administração e Participção S/A
"Warrant Instrument"	the warrant instrument executed by the Company dated 13 December 2006
"Warrantholders"	holders of Warrants
"Warrants"	25,000,000 equity warrants authorised for issue by the Company and proposed to be admitted to trading on AIM entitling the holders to subscribe for 25,000,000 new Ordinary Shares at a price of 100p per share (subject to adjustment), further details of which are set out in paragraph 5 of Part VI of this document
"WTO"	World Trade Organisation

KEY INFORMATION

Overview

Clean Energy Brazil plc is an investment company, incorporated in the Isle of Man, which offers the opportunity to participate in the prospective growth in the Brazilian sugar and bioethanol sector.

CEB intends to invest in integrated sugar and bioethanol production units in Brazil thereby giving investors exposure to:

- Brazil's domestic bioethanol market;
- the global sugar market; and
- future growth in global bioethanol demand.

CEB has entered into an agreement in relation to an initial investment opportunity of approximately US$137 million into an existing sugar/ethanol group and has secured two exclusive arrangements which, if CEB was to make investments in both projects, could be expected to represent additional investments of approximately US$130 million in aggregate.

In making investments CEB will aim to achieve an aggregate IRR of 25 per cent on capital invested. The Directors believe that this will comprise returns due to cash flow from existing assets and capital appreciation of the greenfield projects to be developed.

CEB intends to recommend a 5p dividend payable in respect of the period to 30 September 2007, subject to there being sufficient distributable reserves.

The Company has entered into contractual arrangements that give it access to more than 40 sugar professionals. The Directors believe that this represents one of the largest professional teams advising on investments in sugar and ethanol assets in Brazil.

CEB is seeking to build an integrated group of scale.

Investment Objective

CEB's approach is to seek growth opportunities that are based upon partnership rather than simply via acquisition. The Directors believe that, through joint ventures, CEB will gain access to some of the best growth opportunities within the Brazilian sugar and bioethanol sector, which might not otherwise be available to an investor seeking total ownership.

CEB proposes to invest in sugar and bioethanol production units, via joint venture partnerships with key anchor mills, through which CEB will acquire interests in future projects. CEB's aim is to access high quality growth opportunities by acquiring interests in existing assets which should lead to production increase through expansion or greenfield development. The Company will also seek to purchase and develop its own greenfield sites, subsequently identifying parties with which to work to secure production and revenue generation. Indeed, CEB has already signed two exclusivity agreements with a view to purchasing greenfield sites, as set out in paragraph 5 of Part I of this document.

CEB's aim is to participate in the development of sugar cane businesses with an ideal critical mass in excess of 30 million tonnes of annual cane crushing capacity with a view to becoming a leading low cost participant within the sector.

The Company intends to act as a consolidator, building critical mass through acquisitions. It is intended that capital growth will be generated through the development of greenfield sites into operational units. The Directors estimate, based on current values, that operational units have a value which is 30 to 50 per cent greater than the cost of developing greenfield sites.

The Initial Investment — Usaciga

Current status

CEB has agreed with the owners of Usaciga, subject only to Admission, consent to the investment being obtained under the Proinfa Agreement and certain other practicalities being completed to CEB's satisfaction

(the "Investment Conditions"), to establish a joint venture holding company, Usina, in which CEB will ultimately hold a 49 per cent indirect interest. Usaciga will become a wholly owned subsidiary of Usina.

On satisfaction of the Investment Conditions the following assets will be owned by the joint venture:

- an agricultural and industrial business located in Cidade Gaúcha, Paraná state with current crushing capacity of 2.3 million tonnes of sugar cane per year ("Existing Usaciga Business");
- a greenfield site located in Santa Mônica, Paraná state on which it is planned to develop a business with an anticipated crushing capacity of 2.3 million tonnes of cane by 2013/14 ("Santa Mônica");
- a 33 per cent interest in a greenfield site named Eldorado, located in Rio Paraná, Mato-Grosso do Sul state on which it is planned to develop a business with an anticipated crushing capacity of 2.3 million tonnes of cane by 2013/14 ("Eldorado");
- a 12.9 per cent interest in Paraná Operaĉes Portuárias S.A. (PASA), a bulk sugar terminal located at Paranaguá Port, Paraná state, with a current loading capacity of up to 3 million tonnes of sugar per year and a warehouse capacity of 174,000 tonnes;
- a 9 per cent interest in an ethanol trading company called CPA Trading S/A, located in Paraná state, which commercialises most of the Paraná State mills' ethanol and which the Directors anticipate will sell approximately 1.2 billion litres in 2007 in the domestic and international markets; and
- a 3 per cent interest in a terminal for bulk liquids in Paranaguá port called Álcool do Paraná Terminal Portuário S/A, located in Paraná state, which is expected to open in 2007, with an initial loading capacity of 500 million litres per year.

Objective of the investment by CEB

The objective of CEB's investment in Usaciga is to accelerate the growth of Usaciga by providing it with sufficient funds to facilitate the greenfield expansion projects which are already underway and to restructure its existing debt.

The Directors believe that CEB's involvement will add value to the joint venture through:

- improvements in operational practices;
- rationalisation of resources;
- restructuring of Usaciga's debt; and
- implementation of a price risk management policy.

The structure of the investment

CEB Group will make investments through a series of special purpose vehicle companies. For the purposes of the initial investment, the Group has entered into a conditional agreement with certain members of the Baréa family, the current owners of Usaciga, to indirectly acquire 49 per cent of Usaciga.

CEB has agreed an Enterprise Value for Usaciga of US$213 million with the shareholders of Usaciga. CEB is not paying a premium on the Enterprise Value.

On the basis of this figure and subject to the debt as at 31 December 2006 being US$70 million CEB will capitalise the joint venture company with US$137 million representing its 49 per cent equity. Once the 31 December 2006 debt position is known, the amount will be adjusted accordingly.

Of the US$137 million, a sum will be placed in an escrow account to protect against possible liabilities.

The Directors believe that these provisions will cover any contingent liabilities where the outcome is not certain at the present time.

Valuation methodology

Temple's valuation methodology in arriving at a value of US$213 million considered projected discounted free cash flow of the Usaciga Group. The interests that Usaciga holds in port terminals and ethanol trading companies have been reflected in reduced operating costs with consequential impact on cash flow.

The results of this analysis based on a valuation of US$213 million appear in the table below:

	Temple model	*Temple model with turnaround*
Project IRR	16.99%	18.89%
Equity return	22.07%	25.56%

Note:
Equity return derived by adjusting project IRR for assumed debt cost (10 per cent for base case; 8 per cent for turnaround) and assumed debt equity ratio of 33:67.

One common benchmark multiple is enterprise value measured in US$ per tonne of annual cane crushing capacity. On this basis, the agreed value for Usaciga represents approximately US$79 per tonne of cane crushing capacity (assuming a value of US$10 per tonne is attributed to the greenfield sites) considering that combined green-fields multiple is valued separately at US$13 per tonne of cane of Usaciga's existing capacity.

Another multiple is US$ enterprise value per tonne of crushing capacity (both existing and in development). The comparable multiple for the entire Usaciga Group would be US$213m/5.4mmt = US$39.7/t.

The investment by CEB in Usaciga should enable the new joint venture to fully develop the greenfield projects (Santa Mônica and Eldorado) without requirement for further investment.

Management

Usaciga is currently managed by the Baréa family but a move towards independent management has recently been implemented.

Exclusive opportunities

The Group has entered into exclusivity arrangements in relation to the following projects and seeks to conclude detailed negotiations immediately following Admission with the purchase consideration and initial agricultural costs being financed from the Placing. The total costs of completion of the operational sugar mills will require additional project based finance and the Group will ascertain the most appropriate financing package in due course. However, there is no guarantee that these exclusivity arrangements will result in any investments by CEB.

Project Pantanal

Pantanal Agroindustrial Ltda. was created in 2001 with the purpose of installing a sugar mill in Sidrolândia City region, Mato Grosso do Sul State.

This project involves participation in a greenfield sugar cane plantation and investment in a sugar cane mill with associated ethanol production facilities in the Sidrolândia City region. An environmental licence has been granted for the project and the due diligence is currently in progress. The Directors are considering acquiring 80 to 92 per cent of the shares in the project company and seeking a joint venture partner to co-invest, develop and manage the installation and running of the sugar cane mill.

The project has a planned crushing capacity of 1.5 million tonnes of sugar cane, producing an estimated volume of 135,000 cubic meters of anhydrous ethanol per year. The project is currently licensed for a sugar cane crushing capacity of 2 million tonnes per year and expansion will be considered at a second stage. The Directors believe that the project is located in a privileged area because of its low land lease cost when compared with other regions as well as its proximity of Mato Grosso do Sul's capital and market.

The Directors estimate that the necessary total investment amount to order the industrial and agricultural equipment, prepare the agriculture and then proceed with operations would be approximately US$62 million.

Project Água Limpa

Água Limpa Distillery is a sugar cane distillery greenfield located in Santa Fé de Goiás, Goiás State.

This project involves participation in a greenfield sugar cane distillery project located in Goias state, in the centre south region of Brazil. An environmental licence has been applied for, and the project company has entered into agreements with local land owners which intend to guarantee a third party supply of sugar cane and the equipment required for the development of the project. Due diligence is currently in progress. The Directors are considering acquiring the entire share capital of the project company, and seeking a joint venture partner to co-invest, develop and manage the installation and running of the sugar cane mill.

The project has an initial planned crushing capacity of 1.6 million tonnes of sugar cane producing an estimated volume of 137,000 cubic meters of anhydrous ethanol per year, but expansion will be considered in the future. The Directors believe that the project's location will take advantage of Petrobras' investment into Goiás state, which consists of a pipeline infrastructure project that will give low cost access to export logistics facilities.

The Directors estimate that the necessary total investment amount to order the industrial and agricultural equipment, prepare the agriculture and then proceed with operations would be approximately US$70 million.

In line with the proposed strategy, CEB does not intend to act as an operator for either of the above projects. However, in order to participate in the expected capital appreciation of the greenfields, CEB will seek to build strategic partnership at a second stage of development of the projects.

The Investment Process

Temple will act as investment adviser to CEB Cayman with responsibility for originating, appraising and presenting investment opportunities in accordance with the Group's investment strategy and aims. The Directors believe that the relationships enjoyed by Agrop and Czarnikow, to which CEB will have access through those companies' service agreements with Temple, will help to provide a flow of investment opportunities which will meet CEB's investment objectives.

The decision as to whether or not to make an investment will be solely at the discretion of the investment committee of CEB, which will instruct CEB Cayman accordingly.

Investment Adviser

Temple is a company recently incorporated in the Cayman Islands whose current shareholders are Czarnikow, Agrop, Numis Corporation plc and Econergy International PLC ("Econergy").

Management

The key role of Temple is to source investment opportunities, provide investment recommendations to the board of CEB Cayman and manage investments on behalf of CEB Cayman. Through long term agreements with Czarnikow and TCP Brazil, Temple has access to over 40 sugar/ethanol professionals based in São Paulo, Rio de Janeiro, Ribeirao Preto and London. The Directors believe that this represents one of the largest professional teams dedicated to investment in sugar and ethanol assets in Brazil.

Management Fee

Temple will not receive any corporate finance or general transaction fees or commissions on Admission. Temple will receive an annual management fee from the Group of 2 per cent of the Company's invested funds and a fee of 0.5 per cent per annum on the Company's cash deposits (plus direct costs, expenses and disbursements). The management fee will be payable quarterly in arrears.

Carried Interest

In any year Temple will receive carried interest on a portfolio basis provided that a cumulative rate of return of 8 per cent per annum has been achieved by the investment. If the hurdle is achieved, then Temple will be entitled to a 20 per cent carried interest on the cumulative rate of return above 8 per cent per annum on the fund.

If in any one year the return is less than 8 per cent, then the gap between the actual return achieved and 8 per cent will be made up in subsequent years before Temple will be entitled to any further carried interest.

The Directors believe that this structure aligns the interests of Temple with those of the Shareholders.

C. Czarnikow Sugar Ltd.

Czarnikow dates back to 1861 and today is represented in 11 offices around the world. It is one of the largest physical brokers of sugar in the world. Its key clients include large international corporations, and sugar millers, refiners and traders around the world. Peter Thompson leads the Brazil team within Czarnikow, which acts for approximately 30 per cent of the Brazilian sugar/bioethanol market, providing mergers and acquisition advice, trading, hedging, shipping, consultancy and risk management services. Czarnikow also provides investment advisory services for a number of hedge funds seeking exposure to sugar/bioethanol.

Agropecuaria Orlando Prado Diniz Junqueira

Agrop provides agronomy and agricultural/industrial services for some of the largest sugar mills in Brazil. The Chief Executive Officer and joint owner Marcelo Junqueira is a landowner, farmer and shareholder in the second largest sugar mill company in Brazil. The Junqueira family is one of the most well known and respected 'sugar families' in Brazil. Agrop is the holding company of TCP Brazil.

Dividends

CEB intends to recommend a 5p dividend, subject to there being sufficient distributable reserves amongst other things (thus giving CEB a 5 per cent dividend yield based on the Placing Price) in respect of the period to 30 September 2007, payable half yearly. Thereafter, once all the proceeds of the Placing have been fully invested, the Board anticipates that the Company will pay a regular annual dividend subject to the availability of profits for distribution.

Borrowing

The Directors do not envisage the Company directly making use of debt facilities. However, the Directors anticipate that individual investments will be geared as appropriate on a project by project basis.

Life of the Company

It is initially proposed that the Company will have a life of 10 years. After nine years it is intended that Shareholders will be provided with the choice to confirm the 10 year life of the Company or to extend it for a further defined period.

Opportunity

Bioethanol in Brazil

Brazil is home to the world's largest integrated sugar and bioethanol business. Bioethanol is an established part of Brazil's energy matrix, providing an estimated 30 per cent of Brazilian non-diesel road transport fuel consumption.

As a result of the contribution that bioethanol makes towards the nation's energy balance and the social benefits that the sector delivers through rural employment, the Brazilian government is very supportive of the sector. Until the early 1990s the bioethanol market was strictly controlled by the government, which determined prices and production quotas via the IAA (Sugar and Bioethanol Institute). In 1990, the IAA was abolished and a process of deregulation of the bioethanol market began. Since 1998, government intervention has been primarily limited to determining the rate at which bioethanol may be blended with gasoline, which typically varies from 20 to 25 per cent, and setting fuel taxation levels.

Taxes levied against anhydrous bioethanol in Brazil account for 4 per cent of the final retail price in comparison to gasoline where taxes account for 42 per cent of the final retail price. The Directors' view is that the gasoline price in Brazil, which is determined by Petrobras, the state owned oil company, is based on government targets rather than by the price of crude oil. Government management of inflation has meant that gasoline prices in Brazil have maintained relative stability in comparison with international oil prices. Therefore, the Directors believe that the domestic ethanol market pricing environment is not at a significant risk from a fall in international oil prices unless such prices were to fall below US$45 per barrel.

Brazil produces two types of bioethanol:

- anhydrous bioethanol (99 proof) which is blended with gasoline to create gasohol and is similar to the bioethanol sold within the US and EU fuel markets; and
- hydrous bioethanol (93 proof) which is sold as a pure bio-fuel.

The consumption of anhydrous bioethanol has recently seen significant growth as a result of technological change.

In March 2003, Volkswagen introduced a car to the Brazilian market with a new flex-fuel engine developed by Bosch. The Bosch flex-fuel system measures the oxygen content in the exhaust pipe to determine the alcohol content of the fuel. The engine management software then adjusts the ignition process to account for the variation in alcohol content. This enables the engine to switch easily between different qualities of fuel.

Today, approximately 80 per cent of all cars sold in Brazil have flex-fuel engines. This has changed the structure of fuel demand within the Brazilian market resulting in a sharp increase in hydrous bioethanol demand.

As a consequence of the popularity of flex-fuel cars within Brazil, the Brazilian car industry is seeking to develop sales of flex-fuel cars overseas. Manufacturers in both Europe and the United States are also producing cars with flex-fuel engine management systems. By way of example, Renault expects to produce a version of its Mégane model in 2007 that will run on bioethanol, as part of its commitment that 50 per cent of its petrol cars will also be able to run on biofuels by 2009. Also, the Minister of Finance in France has commissioned a report into the viability of flex-fuel cars, with a view to implementation by 2010. Similar discussions are under way with the UK government. The Directors believe that this increase in the availability of flex-fuel cars is likely to contribute towards growth in demand for Brazilian bioethanol overseas.

Overall demand for Brazilian bioethanol is expected to rise from its current level of approximately 14 billion litres per year to a forecast demand of 21 billion litres per year in 2010/2011. Based on current estimates and the projected growth in the sugar cane crop, the Directors believe that the mills will have to divert a greater proportion of cane towards ethanol in order to meet growing demand for biofuels. Consequently, bioethanol will compete with sugar exports for available cane, resulting in a reduction in the pace of sugar export growth.

The Directors believe that the global bioethanol market is in its infancy. High energy prices, environmental concerns and political pressures will continue to support expansion in the use and development of biofuels, but there are currently a number of tariff barriers that limit access to overseas markets. Given the current political climate, the Directors believe that over time these barriers will diminish.

The Directors believe that CEB could be well placed to benefit from a rise in overseas import demand. However, because of the expected growth in domestic demand as a result of the increase in flex-fuel cars domestically, the Directors believe that the future success of CEB will not be dependent upon this global demand.

Brazil and the Global Sugar Market

Brazil is the world's largest sugar exporter and dominates the trade in bulk raw sugar. Brazilian sugar exports have increased from approximately 1.5 million tonnes per annum in 1990 to an estimated 20 million tonnes this year.

Brazil has benefited from growth in world sugar demand, reflecting the underlying upward trend in global sugar consumption. Global sugar demand is rising year-on-year as a result of population growth and increasing prosperity in emerging markets. Key areas of demand growth are Asia, the Middle East and Africa.

Global sugar production is approximately 150 million tonnes per annum with a little over 40 million tonnes per annum trading across national borders. The Directors believe that the global sugar market is now going through a period of structural change which will significantly alter the sugar market and result in greater price volatility and higher average prices.

One of the most significant changes to the global sugar market is expected to come about as a direct result of the reform of the European sugar regime which the Directors believe will lead to a sharp decline in EU sugar production and exports. In effect EU exports will be limited to approximately 1.3 million tonnes. This represents a sharp drop on historic export volumes, which have ranged between approximately 4 and 6 million tonnes each year.

While the decline in EU exports is significant in volume terms, the Directors believe that the price impact is even more significant. This is because the EU is essentially a price insensitive supplier of world market sugar as EU exports are either directly subsidised or cross subsidised (as defined by the WTO ruling).

The Directors believe that the sharp decline in EU export volumes will result in world sugar market prices trading within a higher and wider price range than in the previous decade. The Directors also believe that the long term floor price for the market will be higher and should reflect, at worst, production costs in Brazil as it is the lowest cost producer of raw sugar and dominates the international market.

Brazil's Competitive Advantage

Brazil is the world's largest sugar cane producer. Brazilian annual cane production is approximately 400 million tonnes.

While cane volume does vary from season to season, Brazil's cane production is significantly higher than the world's second largest raw sugar exporter, Australia, whose annual cane production is approximately 35 million tonnes.

CEB's vision is to position itself as a strategic partner for existing milling businesses who wish to accelerate their growth. CEB aims to provide development capital and, importantly, to offer joint venture partners a competitive advantage in the areas of product commercialisation, destination marketing, final customer relationships, commodity price risk management and agricultural and industrial management.

The Directors believe that this approach has already resulted in access to development opportunities.

PART I

INFORMATION ON THE COMPANY

1 Overview

Clean Energy Brazil plc is an investment company, incorporated in the Isle of Man, which offers the opportunity to participate in the prospective growth in the Brazilian sugar and bioethanol sector.

CEB intends to invest in integrated sugar and bioethanol production units in Brazil thereby giving investors exposure to:

- Brazil's domestic bioethanol market;
- the global sugar market; and
- future growth in global bioethanol demand.

In order to develop and coordinate the investment process, CEB Cayman, a wholly owned subsidiary of CEB, has entered into an advisory agreement with Temple which will give the Group access to a team of professionals with extensive experience in the ethanol and sugar markets.

As at the date of this document, the Group has made one investment, in Usaciga, completion of which is conditional upon Admission and the subsequent obtaining of certain consents and certain other practicalities being accomplished to CEB's satisfaction, details of which are set out in paragraph 4 below. The Group has also entered into exclusivity arrangements in relation to two projects, details of which are set out in paragraph 5 below.

2 Investment Objective

CEB's approach is to seek growth opportunities that are based upon partnership rather than simply via acquisition. The Directors believe that, through joint ventures, CEB will gain access to some of the best growth opportunities within the Brazilian sugar and bioethanol sector, which might not otherwise be available to an investor seeking total ownership.

CEB proposes to invest in sugar and bioethanol production units, via joint venture partnerships with key anchor mills, through which CEB will acquire interests in future projects. CEB's aim is to access high quality growth opportunities by acquiring interests in existing assets which should lead to production increase through expansion or greenfield development. The Company will also seek to purchase and develop its own greenfield sites, subsequently identifying partners with which to work to secure production and revenue generation. Indeed, CEB has already signed two exclusivity agreements with a view to purchasing greenfield sites, as set out in paragraph 5 of Part I of this document.

The concept of partnership is key to the Group's success. The Directors believe that owners of successful sugar and bioethanol businesses are rarely interested in selling their businesses outright but would be willing to accelerate growth through strategic partnerships.

The sugar and bioethanol sector in Brazil is predominantly family owned. The Directors believe that milling families have strong social ties that bind them to their businesses and that milling businesses tend to be offered for outright sale to third parties only when they are underperforming or when there are family pressures to sell and, as a consequence, milling businesses that become available for outright purchase are perceived as amongst the weakest in the sector. As an investor and joint venture partner, CEB will aim to offer sugar mill owners the opportunity to accelerate their expansion programmes, whilst entitling them to retain control of their businesses, with the intention of having access to a higher quality investment pipeline in existing assets and expansion opportunities. CEB will determine any future disposal of assets on a case by case basis.

CEB's aim is to participate in the development of sugar cane businesses with an ideal critical mass in excess of 30 million tonnes of annual cane crushing capacity with a view to becoming a leading low cost participant within the sector.

The Company intends to act as a consolidator, building critical mass through acquisitions. It is intended that capital growth will be generated through the development of greenfield sites into operational units.

The Directors estimate, based on current values, that operational units have a value which is 30 to 50 per cent greater than the cost of developing greenfield sites.

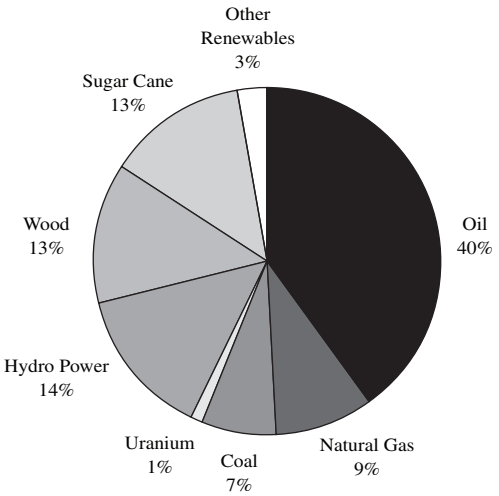
3 Opportunity

3.1 *Bioethanol in Brazil*

Brazil is home to the world's largest integrated sugar and bioethanol business. Bioethanol is an established part of Brazil's energy matrix, providing an estimated 30 per cent of Brazilian non-diesel road transport fuel consumption.

Brazil began using bioethanol on a large scale following the introduction of the Pro-Alcool programme in 1974 with the aim of reducing the impact of the oil crisis on the Brazilian economy. The Pro-Alcool programme was one of a series of measures introduced by the Brazilian government intended to shift the country away from dependence upon imported fuels and achieve self sufficiency.

The chart below illustrates Brazil's energy matrix and the contribution made by sugar cane in Brazil's attempt to meet national requirements and to achieve energy self sufficiency in 2004.

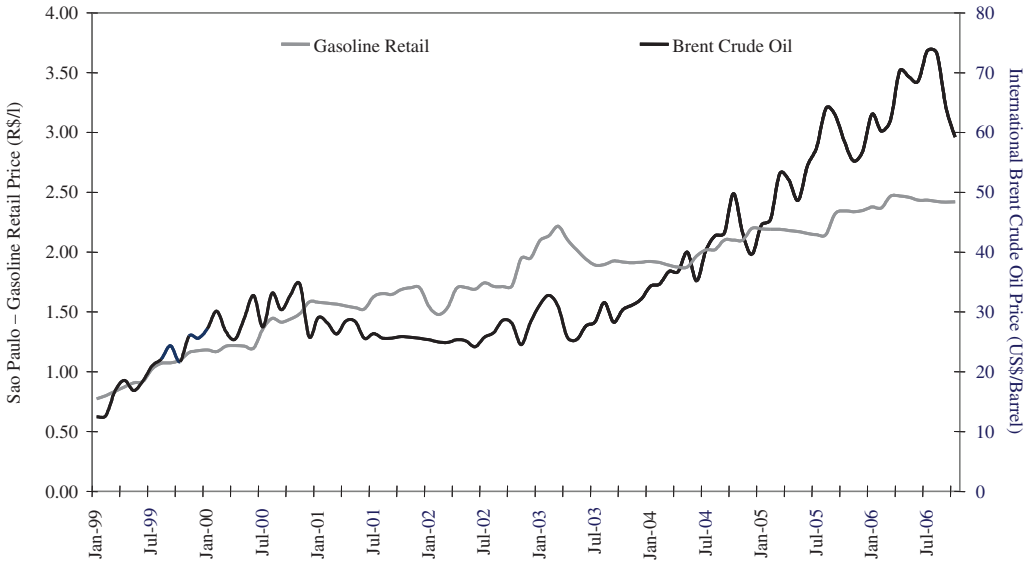


Source: Czarnikow
Source of Data: Brazilian Ministry of Mines and Energy

As a result of the contribution that bioethanol makes towards the nation's energy balance and the social benefits that the sector delivers through rural employment, the Brazilian government is very supportive of the sector. Until the early 1990s the bioethanol market was strictly controlled by the government, which determined prices and production quotas via the IAA (Sugar and Bioethanol Institute). In 1990, the IAA was abolished and a process of deregulation of the bioethanol market began. Since 1998, government intervention has been primarily limited to determining the rate at which bioethanol may be blended with gasoline, which typically varies from 20 to 25 per cent, and setting fuel taxation levels.

Taxes levied against anhydrous bioethanol in Brazil account for 4 per cent of the final retail price in comparison to gasoline where taxes account for 42 per cent of the final retail price. The Directors' view is that the gasoline price in Brazil, which is determined by Petrobras, the state owned oil company, is based on government targets rather than by the price of crude oil. Government management of inflation has meant that gasoline prices in Brazil have maintained relative stability in comparison with increasing international oil prices. Therefore, the Directors believe that the domestic ethanol market pricing environment is not at a significant risk from a fall in international oil prices unless such prices were to fall below US$45 per barrel as illustrated in the chart below.

Gasoline Price to Consumer Sao Paulo State (R$/L) Vs. Brent Crude Oil



Source: Czarnikow

Source of Data:
Gasoline Price — ANP retail price survey
World Oil Price (USD/b) — Monthly Average Spot Brent Crude Price by the US Department of Energy
Crude prices were converted to R$/l with the monthly average R$/US$ rate

Brazil produces two types of bioethanol:

- anhydrous bioethanol (99 proof) which is blended with gasoline to create gasohol and is similar to the bioethanol sold within the US and EU fuel markets; and
- hydrous bioethanol (93 proof) which is sold as a pure bio-fuel (the original bioethanol powered cars of the 1970s and 1980s were built to run on hydrous bioethanol) and is also sold for industrial use.

The consumption of anhydrous bioethanol has recently seen significant growth as a result of technological change.

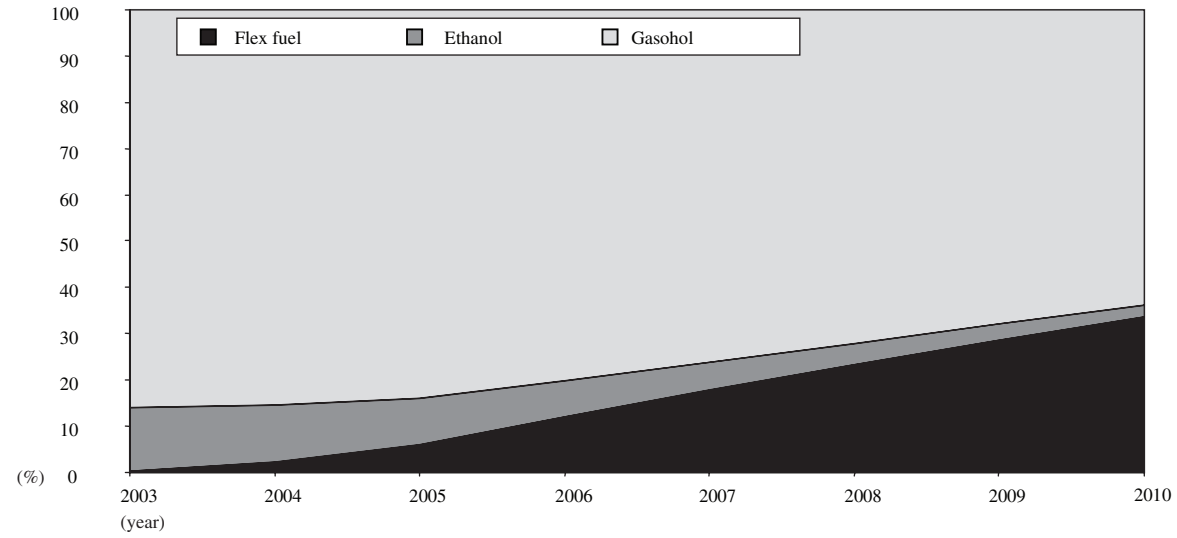
3.2 *New Technology and Demand*

In March 2003, Volkswagen introduced a car to the Brazilian market with a new flex-fuel engine developed by Bosch. The Bosch flex-fuel system measures the oxygen content in the exhaust pipe to determine the alcohol content of the fuel. The engine management software then adjusts the ignition process to account for the variation in alcohol content. This enables the engine to switch easily between different qualities of fuel.

Sales of flex-fuel cars were initially slow, but when the flex-fuel engine was introduced to a greater range of models, sales accelerated.

In 2006, approximately 75 per cent of all new cars sold in Brazil had flex-fuel engines. This has changed the structure of fuel demand within the Brazilian market resulting in a sharp increase in hydrous bioethanol demand. As reflected in the graph below, flex-fuel cars are forecast to account for approximately 40 per cent of the Brazilian light vehicle fleets by April 2011.

Brazilian Car Fleet (Light Vehicles)



Source: Czarnikow

Source of Data: Câmara Setorial da Cadeia Produtiva do Açúcar e do Álcoal — GT Demanda e Competitividade

A motorist with a flex-fuel vehicle can choose which fuel to use to run their car. Though bioethanol burns at a higher temperature than gasoline, it has a lower energy content. In terms of performance, a flex-fuel car running on bioethanol will travel at a faster speed than on gasoline but will suffer a loss in fuel economy. This loss in fuel economy varies from car to car but is generally estimated at between 10 per cent and 30 per cent. On this basis, motorists can reasonably be expected to purchase hydrous bioethanol if it is priced at a discount to gasoline of 30 per cent or more.

The table below illustrates how the Directors conclude that the Brazilian government has structured the fuel market in a way that favours bioethanol. On this basis, the R$1/litre ex mill tipping point (below which motorists can be expected to switch from gasoline to bioethanol) comprises to a production cost of R$0.60 and hence suggests a potential margin of 40 per cent.

	R$/l
Ethanol maximum retail price (70% of gasoline price)	1.66
Freight	(0.06)
Distribution margin	(0.22)
Taxes	(0.38)
Hydrous ethanol production cost	(0.60)
Potential mill margin	0.40

As a consequence of the popularity of flex-fuel cars within Brazil, the Brazilian car industry is seeking to develop sales of flex-fuel cars overseas. Manufacturers in both Europe and the United States are also producing cars with flex-fuel engine management system. By way of example, Renault expects to produce a version of its Mégane model in 2007 that will run on bioethanol, as part of its commitment that 50 per cent of its petrol cars will also be able to run on biofuels by 2009. Also, the Minister of Finance in France has commissioned a report into the viability of flex-fuel cars, with a view to implementation by 2010. Similar discussions are under way with the UK government. The Directors believe that this increase in the availability of flex-fuel cars is likely to contribute towards growth in demand for Brazilian bioethanol overseas.

Overall demand for Brazilian bioethanol is expected to rise from its current level of approximately 14 billion litres per year to a forecast demand of 21 billion litres per year in 2010/2011. Based on current estimates and the projected growth in the sugar cane crop, the Directors believe that the mills will have to divert a greater proportion of cane towards ethanol in order to meet growing demand for biofuels. Consequently, bioethanol will compete with sugar exports for available cane, resulting in a reduction in the pace of sugar export growth.

3.3 *Export Opportunities for Bioethanol and Environmental Considerations*

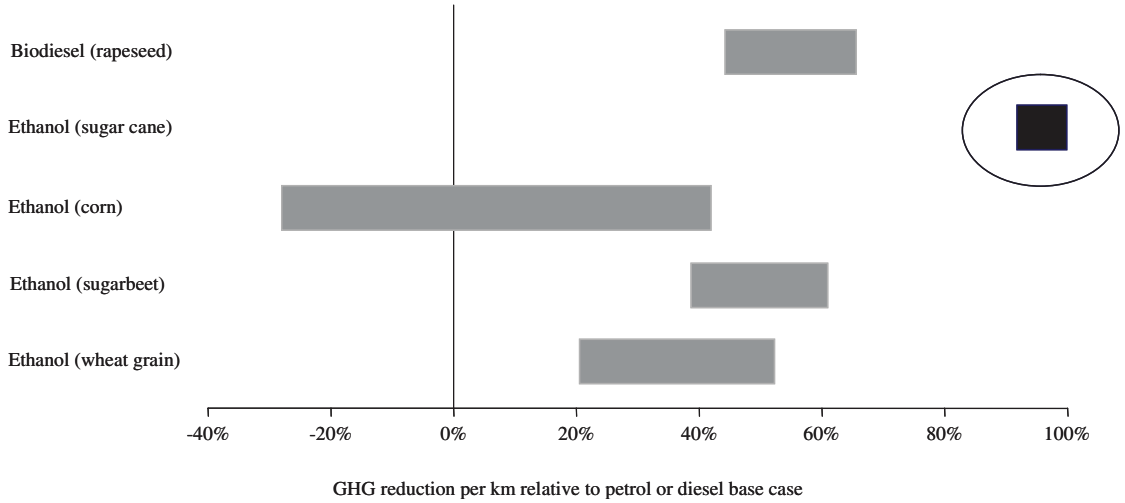
The Directors believe that the global bioethanol market is in its infancy. High energy prices, environmental concerns and political pressures will continue to support expansion in the use and development of biofuels, but there are currently a number of tariff barriers that limit access to overseas markets. Given the current political climate, the Directors believe that over time these barriers will diminish.

The Directors believe that CEB could be well placed to benefit from a rise in overseas import demand. However, because of the expected growth in domestic demand as a result of the increase in flex-fuel cars domestically, the Directors believe that the future success of CEB will not be dependent upon this global demand. Brazilian mills can choose whether to export their bioethanol or sell it within the domestic market. If the export market offers a better return, mills can divert bioethanol away from the Brazilian domestic market with relatively little disruption to the consumer. This is because the price mechanism will encourage a domestic shift in demand away from bioethanol to gasohol by flex-fuel motorists. Though such an increase in export sales would have an inflationary effect within Brazil, the substitution of gasohol prevents the market from becoming distorted.

The Directors believe that, in the long term, Brazil could capture high returns from the export market as environmentally driven clean energy policies in Europe and the US should favour cane based bioethanol (i.e. tax advantages are likely to be linked to Greenhouse Gas (GHG) reduction).

Brazilian bioethanol has strong environmental credentials due to the high yields of bioethanol achieved per hectare and the use of the fibre from cane (cane bagasse) to power production. This process results in significant reductions in terms of GHG reduction in comparison to fossil fuels. Bioethanol produced from sugar cane achieves the greatest level of GHG reduction in comparison to other sources of bioethanol on a full lifecycle analysis ("well-to-wheel" basis), taking into account the energy consumed in the production process through to exhaust emissions.

Due to differences in the process of manufacturing bioethanol from corn, some studies have indicated a net energy loss while others have found meaningful gains. In contrast, bioethanol produced from sugar cane has been found to generate considerable GHG reductions with limited variation given the standardised process for the manufacture of bioethanol and utilisation of surplus biomass to provide energy used in the manufacturing process. Studies show that bioethanol produced under Brazilian conditions results in an energy output up to 10 times greater than the fossil energy input. The chart below compares the cane bioethanol production output in terms of GHG emissions with those of other biofuels.



Source: Czarnikow
Source of Data: IEA 2004 Biofuels for Transport

The Directors believe that these environmental credentials differentiate Brazilian bioethanol from US produced corn bioethanol, where fossil fuels (oil or coal) are used in the production process. As a consequence, it is possible that access to the US market for imported bioethanol could be permitted on a

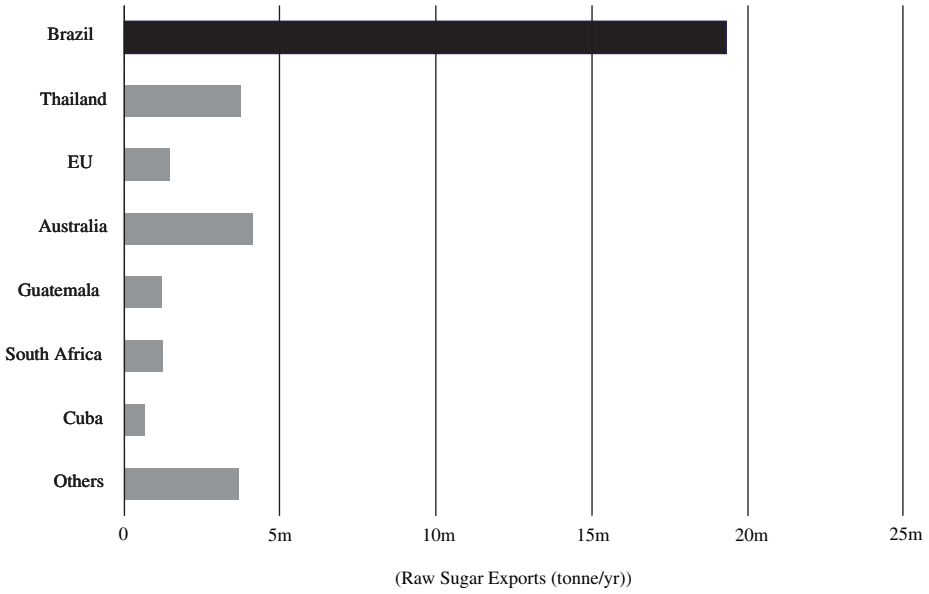
preferential basis in states such as California, which have led the way in the US on environment reform. California, for example, was one of the first US states to phase out the use of methyl tertiary butyl ether as a fuel additive and replace it with bioethanol. It is quite conceivable that future energy policies will place further emphasis on environmental benefits.

Within Europe, the EU Commission has passed to its individual members the implementation of EU targets for biofuel use. This has allowed a fragmented approach to develop rather than a cohesive single policy. At present, EU policy objectives do not differentiate between different types of bioethanol. However, academic studies on the differences between various different types of bioethanol have been conducted and, consequently, the Directors believe that future policy could differentiate on the basis of GHG reduction. In the UK, for example, bioethanol benefits from a 20p reduction in fuel duty, which was introduced in 2005. The UK's Renewable Transport Fuels Obligation (RTFO) seeks to increase levels of biofuel use from 2008 to meet EU Commission targets by 2010. Future modifications to the RTFO are expected by the Directors to value bioethanol on the basis of GHG reductions.

3.4 *Brazil and the Global Sugar Market*

As demonstrated by the graph below, Brazil is the world's largest sugar exporter and dominates the trade in bulk raw sugar. Brazilian sugar exports have increased from approximately 1.5 million tonnes per annum in 1990 to an estimated 20 million tonnes this year.

The graph below shows the estimated crop exports into the international market for the 2007 crop cycle.



Source: Czarnikow

Brazil has benefited from growth in world sugar demand, reflecting the underlying upward trend in global sugar consumption. Global sugar demand is rising year-on-year as a result of population growth and increasing prosperity in emerging markets. Key areas of demand growth are Asia, the Middle East and Africa.

Global sugar production is approximately 150 million tonnes per annum with a little over 40 million tonnes per annum trading across national borders. The Directors believe that the global sugar market is now going through a period of structural change which will significantly alter the sugar market and result in greater price volatility and higher average prices.

One of the most significant changes to the global sugar market is expected to come about as a direct result of the reform of the European sugar regime which the Directors believe will lead to a sharp decline in EU sugar production and exports. The need for reform to Europe's 40 year old sugar regime has come from both internal pressures for modification of the EU's agricultural policies and external drivers in the form of the WTO challenge brought against the EU by Australia, Brazil and Thailand in relation to EU subsidies and

cross subsidies. As a result of this challenge, the EU is required to comply with the export limits agreed under the Uruguay Round Agreement on Agriculture (URAA), which will limit EU exports to approximately 1.3 million tonnes. This represents a sharp drop on historic export volumes, which have ranged between approximately 4 and 6 million tonnes each year.

While the decline in EU exports is significant in volume terms, the Directors believe that the price impact is even more significant. This is because the EU is essentially a price insensitive supplier of world market sugar as EU exports are either directly subsidised or cross subsidised (as defined by the WTO ruling).

The Directors believe that the sharp decline in EU export volumes will result in world sugar market prices trading within a higher and wider price range than in the previous decade. The Directors also believe that the long term floor price for the market will be higher and should reflect, at worst, production costs in Brazil as it is the lowest cost producer of raw sugar and dominates the international market.

3.5 *Growth in raw sugar demand*

The fall in EU exports has created space in the market for an increase in exports from sugar refiners, who import raw sugar and produce white sugar. Investment in global sugar refineries over the past 10 years has stimulated consumption, resulting in increased raw sugar demand. While this raw sugar demand has come at the expense of white sugar imports, the Directors believe that it has strengthened the nature of demand in the sugar market. This is because white sugar merchants, in local markets, have historically exhibited a high degree of price sensitivity due to limited working capital which has constrained demand at times of high prices resulting in a decline in import requirements. However, a sugar refinery cannot reduce process volumes or shut down in response to high prices in the short term as this would directly increase average operational costs.

For example, the Kingdom of Saudi Arabia was supplied by white sugar merchants prior to the construction of the United Sugar Company's refinery in 1995. Following the construction of the refinery, the Kingdom switched from white sugar imports to raw sugar imports. Import volumes of raw sugar have increased significantly. In 1994, import volumes totalled 494,000 metric tonnes, which by 2004 had increased to 684,000 metric tonnes.

The Directors estimate that the investment in refineries during the past 10 years has created an additional demand for approximately 8 million tonnes of raw sugar per annum.

Most of the newly constructed refineries, in particular those located in Africa and the Middle East, are reliant upon Brazil to meet their feedstock requirements for high quality sugar. Brazilian quality standards have become a global benchmark, reflecting the dominant position that Brazil has attained in the raw sugar market.

3.6 *Brazil's Competitive Advantage*

Brazil is the world's largest sugar cane producer. Brazilian annual cane production is approximately 400 million tonnes.

While cane volume does vary from season to season, Brazil's cane production is significantly higher than the world's second largest raw sugar exporter, Australia, whose annual cane production is approximately 35 million tonnes.

The world's second largest producer of cane is India. Unlike Brazil, India's sugar production is targeted at its domestic market and operates at a higher cost due to industry regulation, in particular the government's fixing of a minimum cane price at the start of each season.

The large scale of Brazilian production is due to the relative advantages that the Brazilian sugar cane industry enjoys in the form of rainfall, healthy soil and, in particular, the long Brazilian milling season. Brazilian mills are typically able to operate for eight to nine months each year, which is much longer than most other countries. Brazilian mills are therefore able to obtain a higher return on capital employed than those in the majority of other countries.

3.7 *Conclusion*

The Directors believe that the Brazilian sugar and bioethanol sector will continue to command a leading role in the evolution of the sugar market and the development of global bioethanol. CEB's aim is to give

investors exposure to Brazil's domestic bioethanol market, the global sugar market and the opportunity to benefit from the expected growth in global bioethanol demand from a low cost base.

CEB's vision is to position itself as a strategic partner for existing milling businesses who wish to accelerate their growth. CEB aims to provide development capital and, importantly, to offer joint venture partners a competitive advantage in the areas of product commercialisation, destination marketing, final customer relationships, commodity price risk management and agricultural and industrial management.

The Directors believe that this approach has already resulted in access to development opportunities.

4 The Initial Investment — Usaciga

4.1 *Current status*

CEB Cayman has agreed with the owners of Usaciga (a Brazilian company which owns the assets detailed in paragraph 4.4 below), subject only to Admission, subsequent consent to the investment being obtained under the Proinfa Agreement and certain other practicalities being completed to CEB Cayman's satisfaction (the "Investment Conditions"), to establish a joint venture holding company, Usina, in which CEB will ultimately hold a 49 per cent indirect interest. Usaciga will become a wholly owned subsidiary of Usina.

4.2 *History of Usaciga*

Usaciga was created on 25 July 1980, in Cidade Gaúcha, and originally called Destilaria Cidade Gaúcha Ltda. Agropecuária Itaóca Ltda., which provides agricultural services, including planting and harvesting sugar cane, was created in 1986 for the purpose of providing such services to Usaciga.

In 1988, the Baréa family took control of the management of the business, with plans to make further agricultural and industrial investments, as well as other diversified investments.

In 1993, Destilaria Cidade Gaúcha Ltda., having merged with Agropecuária Itaóca Ltda., was renamed F.B. Açúcar e Álcool Ltda., and began using the brand name "Usaciga". In 1994, the group started to produce sugar through a modern sugar factory which was attached to the existing mill. During that year, the company was named by Jornal Cana, a well-known cane sector journal, Brazil's "Company of the year in Industrial Technology". Subsequently, Usaciga has made several investments with the intention of improving the milling process through industrial automation. This has resulted in an industrial and agricultural cost reduction process, which has enabled Usaciga to launch a total quality program, which is currently underway.

In 2004, Usaciga changed its name to Usaciga — Açúcar, Álcool E Energia Elétrica Ltda., as new products including yeast, carbon credits and biomass energy co-generation were added to the company's profile.

In addition to the industrial unit located in Cidade Gaúcha, the Usaciga Group recently invested in two new logistics companies as well as an ethanol trading company, aiming to reduce the overall costs of the Usaciga Group.

4.3 *Objective of the investment by CEB*

The objective of CEB's investment in Usaciga is to accelerate the growth of Usaciga by providing it with sufficient funds to facilitate the greenfield expansion projects which are already underway and to restructure its existing debt.

The Directors believe that CEB's involvement will add value to the joint venture through:

- improvements in operational practices;
- rationalisation of resources;
- restructuring of Usaciga's debt; and
- implementation of a price risk management policy.

4.4 *Assets owned by the joint venture*

On satisfaction of the Investment Conditions the following assets will be owned by the joint venture. The joint venture will be structured such that existing liabilities of Usaciga, other than those which have been taken into account by CEB in valuing Usaciga, will be effectively retained by the Baréa family:

- an agricultural and industrial business located in Cidade Gaúcha, Paraná state with current crushing capacity of 2.3 million tonnes of sugar cane per year ("Existing Usaciga Business");

- a greenfield site located in Santa Mônica, Paraná state on which it is planned to develop a business with an anticipated crushing capacity of 2.3 million tonnes of cane by 2013/14 ("Santa Mônica");
- a 33 per cent interest in a greenfield site named Eldorado, located in Rio Paraná, Mato-Grosso do Sul state on which it is planned to develop a business with an anticipated crushing capacity of 2.3 million tonnes of cane by 2013/14 ("Eldorado");
- a 12.9 per cent interest in Paraná Operaĉes Portuárias S.A. (PASA), a bulk sugar terminal located at Paranaguá Port, Paraná state, with a current loading capacity of up to 3 million tonnes of sugar per year and a warehouse capacity of 174,000 tonnes;
- a 9 per cent interest in an ethanol trading company called CPA Trading S/A, located in Paraná state, which commercialises most of the Paraná State mills' ethanol and which the Directors anticipate will sell approximately 1.2 billion litres in 2007 in the domestic and international markets; and
- a 3 per cent interest in a terminal for bulk liquids in Paranaguá port called Álcool do Paraná Terminal Portuário S/A, located in Paraná state, which is expected to open in 2007, with an initial loading capacity of 500 million litres per year.

4.5 *Usaciga's strategic advantages*

The Directors believe that Usaciga offers the following strategic advantages:

Hedging: Usaciga is focused on the international market and can therefore sell both sugar and ethanol based on the New York Board of Trade No.11 futures market price, which enables it to lock in forward prices for almost 100 per cent of its production.

Cane: Usaciga controls 100 per cent of its cane supply, comprising 4 per cent harvested on Usaciga's own land and 96 per cent harvested on leased properties (long term contracts). As a result, the majority of Usaciga's raw material cane cost is not linked to sugar and ethanol prices.

Logistics: As a shareholder of sugar and ethanol terminals at the port, Usaciga has access to one of the best export facilities in the country.

Expansion: The existing industrial unit is located in an area that will potentially allow Usaciga to double the size of its cane production. This location is not as crowded as some other cane growing areas in Brazil and land values are generally lower than other cane growing areas in Brazil.

4.6 *The structure of the investment*

CEB Group will make investments through a series of special purpose vehicle companies. For the purposes of the initial investment, the Group has entered into a conditional agreement with certain members of the Baréa family, the current owners of Usaciga, to indirectly acquire 49 per cent of Usaciga.

CEB has agreed an Enterprise Value for Usaciga of US$213 million with the shareholders of Usaciga on the basis set out in paragraph 4.7 below. CEB is not paying a premium on the Enterprise Value. To arrive at the value for the Baréa family's interest, the debt of the existing businesses was deducted from the Enterprise Value. The valuation of this debt has been agreed as of the 30 June 2006 to be approximately US$60 million. However it is further agreed that the valuation for arriving at the shareholder value will be the debt as at 31 December 2006. The Directors expect this figure to be approximately US$70 million and therefore the provisional value for shareholder equity in Usaciga for Usaciga's current shareholders is US$143 million.

On the basis of this figure and subject to the debt as at 31 December 2006 being US$70 million CEB will capitalise the joint venture company with US$137 million representing its 49 per cent equity. Once the 31 December 2006 debt position is known, the amount will be adjusted accordingly.

Of the US$137 million referred to above:

- US$8 million will be held in an escrow account to cover outstanding potential litigation (this amount will be released to Usaciga in six equal yearly instalments);
- US$8.8 million will be held in an escrow account against monies payable under the Proinfa Agreement explained at paragraph 11.7 of Part VI below; and
- US$10 million will be retained by CEB pending determination of the 31 December 2006 net debt figure as explained above.

The Directors believe that these provisions will cover any contingent liabilities where the outcome is not certain at the present time.

A sum of approximately US$19.6 million will be extracted from the joint venture shortly after completion of the investment and will be distributed to CEB and the Baréa family in proportion to their respective interests in the joint venture. However, Temple has agreed that this distribution will not be considered a return on investment for which they would be entitled to carried interest under the terms of the Investment Advisory Agreement.

Under the terms of the agreements with Usaciga, the joint venture is committed to pay out 100 per cent of available profits to its shareholders in respect of the first two years of CEB's investment, subject to a minimum level of working capital.

Details of the agreements relating to the structuring of the investment are set out in paragraphs 11.3 and 11.4 of Part VI of this document.

4.7 *Valuation methodology*

Temple's valuation methodology in arriving at a value of US$213 million considered projected discounted free cash flow of the Usaciga Group. The interests that Usaciga holds in port terminals and ethanol trading companies have been reflected in reduced operating costs with consequential impact on cash flow.

The following represent the key assumptions used in the financial projections:

- realisation prices for sugar and ethanol are based on an equivalent sugar price of 13 cents (basis New York Board of Trade No.11), which reflects both domestic and export revenues. The Directors believe this to be a reasonably conservative assumption based on views from independent experts and the views of Temple in relation to the international commodity market price. The projections do not take into account the market premiums that are achieved from time to time over and above the New York Board of Trade No.11 contract price;
- cane production is based on Usaciga's optimum crushing capacity of 2.3 million tonnes to be achieved by the 2008/09 season;
- average age of cane of 3 years (this assumes a reduction of the age of the cane from 3.4 years to be achieved by eliminating cane older than 6 cuts). This will represent an increase in the agricultural yield towards 84 tonnes/ha, against a higher expenditure in cane planting (capex). It is worth highlighting that during the 2004/05 cycle, Usaciga reached 83 tonnes/ha with an average cane age of 3.4 years;
- exchange rate of R$2.25/US$ for the 2007 year and R$2.30/US$ going forward; and
- greenfield industrial capex is estimated at a multiple of approximately US$44 per tonne of cane crushing capacity and agricultural capex is estimated at approximately US$13 per tonne of cane crushing capacity.

In considering the value and reaching agreement with Usaciga the Directors considered the valuation model produced by Temple given the existing 'base case' as described above with no turnaround improvements and the results from an independent Nexia valuation (see paragraph 4.8 below). Given the financial objectives established for the Group the Directors believe that the value agreed results in the investment being attractive on the base case assumptions, although the Directors also believe there is clear potential to improve industrial efficiency, agricultural productivity and capital structure.

In addition the Directors also considered what the situation would be in the event of turnaround improvements being achieved.

The results of this analysis based on a value of US$213 million appear in the table below:

	Temple model	*Temple model with turnaround*
Project IRR	16.99%	18.89%
Equity return	22.07%	25.56%

Note: Equity return derived by adjusting project IRR for assumed debt cost (10 per cent for base case; 8 per cent for turnaround) and assumed debt equity ratio of 33:67.

The principal turn around assumptions are:

- cost of debt reduced to 8 per cent per year;
- ethanol yield increased from 24 to 31 litres per tonne of cane, based on a cane split of 72 per cent sugar and 28 per cent ethanol;
- total cost of goods sold reduced by 5 per cent; and
- capex requirement reduction from 2009/10 onwards.

The Directors believe that the above approach is most relevant in reaching investment decisions. However, they also believe that it is useful to consider some market multiples, notwithstanding the difficulty of making valid like-for-like comparisons.

One common benchmark multiple is enterprise value measured in US$ per tonne of annual cane crushing capacity. On this basis, the agreed value for Usaciga represents approximately US$79 per tonne of cane crushing capacity (assuming a value of US$10 per tonne is attributed to the greenfield sites).

Another multiple is US$ enterprise value per tonne of crushing capacity (both existing and in development). The comparable multiple for the entire Usaciga Group would be US$213m/5.4mmt = US$39.7/t.

The investment by CEB in Usaciga should enable the new joint venture to fully develop the greenfield projects (Santa Mônica and Eldorado) without requirement for further investment.

By way of comparison, the directors have calculated the US$ enterprise value per tonne of crushing capacity of other companies within this sector of approximately US$90/t, where their shares are publicly traded, based upon the average share prices of these companies in recent months.

4.8 ***Independent valuation***

In addition to being subject to CEB's own due diligence and valuation, the assets to be owned by the joint venture, on satisfaction of the Investment Conditions, have been independently valued by Nexia using a discounted free cash flow method, on behalf of CEB and the Baréa family.

The financial projections used in the valuation performed by Nexia are based on the same key base case assumptions as set out in paragraph 4.7 above.

The Enterprise Value of Usaciga is estimated by Nexia to be between US$170.3 million and US$270.3 million (based on an exchange rate of R$2.30/US$) as follows:

	High *US$m*	*Mid* *US$m*	*Low* *US$m*
Existing Usaciga Business	214.4	177.9	151.5
Santa Mônica	42.8	26.7	15.0
Eldorado	13.2	7.8	3.9
Enterprise value	270.3	212.4	170.3

The above values are based on the following discount rates:

Existing Usaciga Business	10.97%	12.97%	14.97%
Santa Mônica	14.26%	16.26%	18.26%
Eldorado	14.26%	16.26%	18.26%

In Part IV of this document, Smith & Williamson Limited has reported on the compliance of Nexia's valuation methodology with the International Private Equity and Venture Capital Guidelines published in March 2005 by Association Francaise des Investisseurs en Capital, the British Venture Capital Association and the European Private Equity and Venture Capital Association.

4.9 ***Management***

Usaciga is currently managed by the Baréa family but a move towards independent management has recently been implemented.

The management of Usaciga is to be led by a new CEO called Sidnei Senhorini who has 35 years banking experience, as a superintendent (director) of Banco do Brasil for 10 years and a financial consultant specialising in agribusiness. In addition to the CEO, another three executive directors are being employed to oversee operations (agricultural and industrial); commercial, administrative and financial matters; and new business development and procurement.

The Group and current Usaciga shareholders will each be entitled to appoint three directors to the board of Usaciga. The three directors representing the current Usaciga shareholders will be Ermeto Baréa, Julio Baréa and Ernani Baréa who have being running the Usaciga mill over the last 20 years. Marcelo Junqueira will represent the Group.

4.10 ***Shareholders' agreement***

Details of the shareholders' agreement between the CEB Group and the Baréa family are set out in paragraph 11.4 of Part VI of this document.

4.11 ***Historical financial information on Usaciga***

Annual financial information

The following historical information has been extracted from audited accounts prepared in accordance with Brazilian General Accepted Accounting Principles. The adjustments shown have been made in accordance with the principles of International Financial Reporting Standards and are derived from management information and estimates. The resulting pro forma historical information has not been audited.

Income Statements

	Year ended 31 December 2004			*Year ended 31 December 2005*		
	Brazilian GAAP R$'000	*IFRS Adjustments R$'000*	*IFRS Pro forma R$'000*	*Brazilian GAAP R$'000*	*IFRS Adjustments R$'000*	*IFRS Pro forma R$'000*
Revenue	75,386	—	75,386	97,279	—	97,279
Gross (loss)/profit	(1,330)	12,497	11,167	(580)	14,804	14,224
EBITDA	13,155	(11,878)	1,277	7,114	(5,687)	1,427
EBIT	(15,275)	12,497	(2,778)	(16,849)	14,804	(2,045)
(Loss) before taxation	(26,043)	12,497	(13,546)	(21,199)	14,804	(6,395)
Retained (loss)	(26,043)	12,497	(13,546)	(21,199)	14,804	(6,395)

Adjustments relating to the year ended 31 December 2004:

- Reversal of revaluation of fixed assets including biological assets. This results in a reduction in cost of sales of R$20,768,000.
- Write off of R$6,458,000 of taxes due to timing and amount of recovery being uncertain. Write off increases costs of sales and relates to increase in debtor between 31 December 2003 and 31 December 2004.
- Upward revaluation of sugar and ethanol to market prices as at 31 December 2004, in accordance with industry standards and IAS 2. This reduces cost of sales by R$101,000.
- Downward revaluation of biological assets as required by IAS 41. Adjustment represents movement between revaluation at 31 December 2003 and 31 December 2004. This increases cost of sales by R$1,914,000 and decreases amortisation by R$3,607,000.

Adjustments relating to the year ended 31 December 2005:

- Reversal of revaluation of fixed assets including biological assets. This results in a reduction in cost of sales by R$16,910,000.
- Write off of R$6,122,000 of taxes due to timing and amount of recovery being uncertain. Write off relates to increase in debtor between 31 December 2004 and 31 December 2005.
- Upward revaluation of sugar and ethanol to market prices as at 31 December 2005, in accordance with industry standards and IAS 2. This reduces cost of sales by R$1,452,000.
- Upward revaluation of biological assets as required by IAS 41. Adjustment represents movement between revaluation at 31 December 2004 and 31 December 2005. This reduces cost of sales by R$2,564,000 and decreases amortisation by R$3,581,000.

Balance Sheets

	Year ended 31 December 2004			*Year ended 31 December 2005*		
	Brazilian GAAP R$'000	*IFRS Adjustments R$'000*	*IFRS Pro forma R$'000*	*Brazilian GAAP R$'000*	*IFRS Adjustments R$'000*	*IFRS Pro forma R$'000*
Assets						
Non-current assets	189,659	(139,488)	50,171	73,738	(9,905)	63,833
Current assets	66,584	(18,273)	48,311	64,882	(32,282)	32,600
Total assets	256,243	(157,761)	98,482	138,620	(42,187)	96,433
Equity and liabilities						
Share capital	10,500	—	10,500	10,500	—	10,500
Other reserves	183,529	(183,529)	—	56,930	(56,930)	—
Retained earnings deficit	(32,411)	(3,914)	(36,325)	(37,439)	(13,843)	(51,282)
Total equity	161,618	(187,443)	(25,825)	29,991	(70,773)	(40,782)
Non-current liabilities	15,594	29,682	45,276	21,190	29,111	50,301
Current liabilities	79,031	—	79,031	87,439	(525)	86,914
Total liabilities	94,625	29,682	124,307	108,629	28,586	137,215
Equity and liabilities	256,243	(157,761)	98,482	138,620	(42,187)	96,433

Adjustments relating to the year ended 31 December 2004:

- Separate disclosure of net biological assets of R$12,005,000 from property, plant and equipment as required by IAS 1 and IAS 41 plus reversal of revaluation of R$109,173,000.
- Reversal of revaluation of fixed assets of R$44,669,000 and removal of revaluation reserve of R$44,674,000, with a R$5,000 write back to retained earnings.
- Reclassification of advances to suppliers of R$538,000 in respect of fixed assets under construction to prepayments.
- Reclassification of capitalised interest of R$18,000 in respect of fixed assets under construction to property, plant and equipment for disclosure purposes.
- Write off of R$12,379,000 of taxes not deemed to be recoverable.
- Reclassification of loans from trade and other payables to borrowings for disclosure purposes. R$4,113,000 reclassified to current loans.
- Reclassification of R$29,682,000 from special reserve to non-current tax liabilities
- Upward revaluation of R$101,000 of sugar and ethanol to market prices as at 31 December 2004, in accordance with industry standards and IAS 2.
- Revaluation and reclassification of net R$8,359,000 of biological assets from inventories as required by IAS 41.

Adjustments relating to the year ended 31 December 2005:

- Separate disclosure of biological assets of R$13,332,000 from property, plant and equipment as required by IAS 1 and IAS 41.
- Reversal of revaluation of fixed assets of R$26,781,000 and removal of revaluation reserve of R$27,819,000 and write back to retained earnings of R$1,038,000.
- Reclassification of advances to suppliers of R$580,000 in respect of fixed assets under construction to prepayments.
- Reclassification of capitalised interest of R$1,549,000 in respect of fixed assets under construction to property, plant and equipment for disclosure purposes.
- Offsetting of trade receivable balances of R$525,000 against export prepayments received from the same third party.
- Write off of R$18,501,000 of taxes not deemed to be recoverable.
- Reclassification of loans from trade and other payables to borrowings for disclosure purposes. R$3,646,000 is reclassified to non-current loans and R$6,372,000 is reclassified to current loans.
- Reclassification of R$29,111,000 from special reserve to non-current tax liabilities
- Upward revaluation of sugar and ethanol of R$1,452,000 to market prices as at 31 December 2005, in accordance with industry standards and IAS 2.
- Revaluation of R$2,168,000 and reclassification of R$15,288,000 of biological assets from inventories as required by IAS 41.

Elements of the historical pro forma information shown above have been translated into US$, using the US$:R$ exchange rate as at 31 December each year

	2004 US$'000	*2005 US$'000*
Revenue	28,375	41,791
EBITDA	481	613
(Loss) after tax	(5,099)	(2,747)

Exchange rates used for translation:

31 December 2004 = R$:US$ = 0.37640
31 December 2005 = R$:US$ = 0.42960

Source: Bloomberg

Additional information

There is zero to be paid up on Usaciga shares issued, there was no dividend paid for 2005, and no debts exist between CEB and Usaciga.

Interim financial information

The following interim information has been extracted from unaudited management information for the six month period ended 30 June 2006 prepared in accordance with Brazilian Generally Accepted Accounting Principles. The adjustments have been made in accordance with the principles of International Financial Reporting Standards and are derived from management information and estimates. The resulting pro forma information has not been audited.

Income statement for the six month period ended 30 June 2006

	Brazilian GAAP R$'000	*IFRS Adjustments R$'000*	*IFRS Pro forma R$'000*
Revenue	35,072	—	35,072
Gross profit	563	15,072	15,635
EBITDA	(191)	11,454	11,263
EBIT	(5,685)	15,072	9,387
(Loss)/profit before taxation/retained (loss)/profit	(4,349)	15,072	10,723

Adjustments relating to the six month period ended 30 June 2006:

- Reversal of revaluation of fixed assets including biological assets. This results in a reduction of cost of sales by R$3,613,000.
- Write off of R$3,627,000 of taxes due to timing and amount of recovery being uncertain under IAS 12. Write off relates to increase in debtor between 31 December 2005 and 30 June 2006.
- Upward revaluation of sugar and ethanol to market prices as at 30 June 2006, in accordance with industry standards and IAS 2. This reduces cost of sales by R$2,579,000.
- Upward revaluation of biological assets as required by IAS 41, movement between 31 December 2005 and 30 June 2006 valuation. This reduces cost of sales by R$12,507,000.

Balance sheet as at 30 June 2006	*Brazilian GAAP R$'000*	*IFRS Adjustments R$'000*	*IFRS Pro forma R$'000*
Assets			
Non-current assets	85,640	7,128	92,768
Current assets	85,574	(40,913)	44,661
Total assets	171,214	(33,785)	137,429
Equity and liabilities			
Share capital	10,500	—	10,500
Other reserves	51,010	(51,010)	—
Retained earnings deficit	(33,626)	1,640	(31,986)
Total equity	27,884	(49,370)	(21,486)
Non-current liabilities	39,966	23,695	63,661
Current liabilities	103,364	(8,110)	95,254
Total liabilities	143,330	15,585	158,915
Equity and liabilities	171,214	(33,785)	137,429

Adjustments relating to the six month period ended 30 June 2006:

- Separate disclosure of biological assets of R$13,142,000 from property, plant and equipment as required by IAS 1 and IAS 41.
- Reversal of revaluation of fixed assets of R$22,196,000 and removal of revaluation reserve of R$27,315,000, with a R$5,119,000 written off to retained earnings.
- Reclassification of advances to suppliers of R$639,000 in respect of fixed assets under construction to prepayments.
- Reclassification of capitalised interest of R$773,000 in respect of fixed assets under construction to property, plant and equipment for disclosure purposes.
- Offsetting of trade receivable balances of R$8,110,000 against export prepayments received from the same third party.
- Write off of R$22,128,000 of taxes not deemed to be recoverable.
- Reclassification of loans from trade and other payables to borrowings for disclosure purposes. R$22,441,000 is reclassified to non-current loans and R$22,282,000 is reclassified to current loans.
- Reclassification of R$23,695,000 from special reserve to non-current tax liabilities.
- Upward revaluation of R$2,579,000 of sugar and ethanol to market prices as at 30 June 2006, in accordance with industry standards and IAS 2.
- Upward revaluation of R$16,070,000 and reclassification of R$13,893,000 of biological assets from inventories as required by IAS 41.

Elements of the historical pro forma information shown above have been translated into US$, using US$:R$ exchange rate as at 30 June.

	2006 US$'000
Revenue	15,888
EBITDA	5,102
Profit after tax	4,857

Exchange rates used for translation:
30 June 2006 = R$:US$0.45300

Source: Bloomberg

Additional information

There is zero to be paid up on Usaciga shares issued, there was no dividend paid in the six months ended 30 June 2006, and no debts exist between CEB and Usaciga.

Overall, the above financial information demonstrates Usaciga reducing its losses in 2005 and, in respect of the six months to 30 June 2006, reporting net profits (unaudited). This reflects the generally improved trading environment for sugar and ethanol enterprises in Brazil during these periods. Prior to 2006, in common with other mills, Usaciga encountered constrained cash flows as a result of a more difficult trading environment, which the Directors consider resulted in large measure from drought, generally lower international sugar prices and a less well developed domestic ethanol market.

5 Exclusive Opportunities

The Group has entered into exclusivity arrangements in relation to the following projects and seeks to conclude detailed negotiations immediately following Admission with the purchase consideration and initial agricultural costs being financed from the Placing. The total costs of completion of the operational sugar mills will require additional project based finance and the Group will ascertain the most appropriate financing package in due course. However, there is no guarantee that these exclusivity arrangements will result in any investments by CEB.

5.1 ***Project Pantanal***

Pantanal Agroindustrial Ltda. was created in 2001 with the purpose of installing a sugar mill in Sidrolândia City region, Mato Grosso do Sul State.

This project involves participation in a greenfield sugar cane plantation and investment in a sugar cane mill with associated ethanol production facilities in the Sidrolândia City region. An environmental licence has been granted for the project and the due diligence is currently in progress. The Directors are considering acquiring 80 to 92 per cent of the shares in the project company and seeking a joint venture partner to co-invest, develop and manage the installation and running of the sugar cane mill.

The project has a planned crushing capacity of 1.5 million tonnes of sugar cane, producing an estimated volume of 135,000 cubic meters of anhydrous ethanol per year. The project is currently licensed for a sugar

cane crushing capacity of 2 million tonnes per year and expansion will be considered at a second stage. The Directors believe that the project is located in a privileged area because of its low land lease cost when compared with other regions as well as its proximity of Mato Grosso do Sul's capital and market.

The Directors estimate that the necessary total investment amount to order the industrial and agricultural equipment, prepare the agriculture and then proceed with operations would be approximately US$62 million.

5.2 *Project Água Limpa*

Água Limpa Distillery is a sugar cane distillery greenfield located in Santa Fé de Goiás, Goiás State.

This project involves participation in a greenfield sugar cane distillery project located in Goias state, in the centre south region of Brazil. An environmental licence has been applied for, and the project company has entered into agreements with local land owners which intend to guarantee a third party supply of sugar cane and the equipment required for the development of the project. Due diligence is currently in progress. The Directors are considering acquiring the entire share capital of the project company, and seeking a joint venture partner to co-invest, develop and manage the installation and running of the sugar cane mill.

The project has an initial planned crushing capacity of 1.6 million tonnes of sugar cane producing an estimated volume of 137,000 cubic meters of anhydrous ethanol per year, but expansion will be considered in the future. The Directors believe that the project's location will take advantage of Petrobras' investment into Goiás state, which consists of a pipeline infrastructure project that will give low cost access to export logistics facilities.

The Directors estimate that the necessary total investment amount to order the industrial and agricultural equipment, prepare the agriculture and then proceed with operations would be approximately US$70 million for each project.

In line with the proposed strategy, CEB does not intend to act as an operator for either of the above projects. However, in order to participate in the expected capital appreciation of the greenfields, CEB will seek to build strategic partnership at a second stage of development of the projects.

6 The Investment Strategy

6.1 *Key Parameters*

The following are the key parameters of the Group's investment strategy:

Access to projects: The Group will operate in a highly competitive environment where existing expansion to date is already testing capacity limits. Therefore, during the initial phase of investment, the Group will aim to leverage existing sector relationships with owners of existing operations through joint ventures, rather than becoming a new operator in the sector.

Investment schedule: The Directors intend that further significant investments will be made as soon as practicable following Admission. Since new greenfield projects require relatively little capital in the early stages of planting and the lead time for establishing a new project could be up to two years, existing greenfield and expansion projects will be the Group's preferred targets during the initial phase of investment.

Immediate cash generation: The Directors propose that CEB will invest in some projects with existing operations that generate positive cash flow from the date of the investment. This will allow the Company to benefit from the immediate favourable market conditions anticipated by the Directors.

In making investments CEB will aim to achieve an aggregate IRR of 25 per cent on capital invested.

6.2 *Other Strategic Considerations*

Other strategic considerations of the Group include:

Focus on own cane: In order to maximise exposure to favourable markets, the Group will seek to concentrate investment on a supply of cane under the control/cultivation of the relevant mill and thereby to minimise dependency on outsourced growers of cane.

Location: Investment will be focused primarily on the centre south producing states of São Paulo, Paraná, Mato Grosso do Sul, Mato Grosso, Minas Gerias, Goiás and Rio de Janeiro. However, investments in other areas which may suit the Group's investment strategy requirements may also be considered. Within these areas the Group will aim to achieve some geographic diversity in order to spread climate risk.

Synergies: The Group will also give consideration to potential synergies that can be created through regionalisation and combining units in respect of operational logistics and industrial/agricultural management. The Group intends to develop a strategy in which the initial phase of joint venture operations blends progressively with greenfield operations in order to provide a lower cost investment strategy over the longer term. Investments in units will be considered with the aim of bringing synergy and operating as one commercial entity where participation in the decision process is strong even in situations where the Group has a minority interest in the joint venture.

Critical mass: The Directors envisage a minimum critical mass of 30 million tonnes of cane crushing capacity in which the Group has an investment. The Directors believe that this target will support competitive economies of scale and allow for the development of a business plan for the Group's own export infrastructure.

Land: The Group will also consider investments in land if they facilitate access to established greenfield projects. In addition, in developing a new milling unit, it may be advantageous for the Group to acquire neighbouring land with the intention of benefiting from increasing land values.

Leverage: The Directors intend that where possible CEB's investments will make use of existing sources of finance available to the sugar cane sector. These include Brazilian Development Bank finance and commercial pre-crop finance.

6.3 ***Operational Strategy***

The Directors recognise the importance of Brazilian business culture which will need to be taken into consideration in the course of implementing the Group's investment strategy. Investments will need to conform to a Brazilian profile where sector relationships and co-operation with neighbouring mills are an important aspect in the management of businesses within the sector. The Directors acknowledge that the use of local expertise, contacts and relationships is essential.

The Group's operational governance will need to take account of social and environmental responsibility which are important characteristics of the cane sector and from which it derives considerable political support. Considerations include:

- responsible agricultural use of land and soil conservation;
- preservation of forests within the cane area particularly areas bordering rivers;
- fair treatment of employees; and
- provision of social welfare, such as health and education, to workforce.

These factors will support "green/social responsibility" accreditation which the Directors believe will be commercially valuable over the medium term.

6.4 ***Foreign Exchange***

The Group's principal operating currency will be United States Dollars. Investments are expected to be made on the basis of discounted free cash flow where operating revenues of the units in which the Group has an interest will be derived from export sales denominated in United States Dollars and domestic Brazilian sales denominated in Brazilian Real. Therefore, in order to mitigate currency risk on the US$ value of future potential investments, CEB will hold funds in United States Dollars and may also hold funds in Brazilian Real.

Consequently, initial funds raised in Pounds Sterling will be converted within a reasonably short period of time following Admission. CEB will not undertake hedging of Pounds Sterling dividend payments and, essentially, CEB's performance should be considered in United States Dollars.

7 The Investment Process

Temple will act as investment adviser to CEB Cayman with responsibility for originating, appraising and presenting investment opportunities in accordance with the Group's investment strategy and aims. The Directors believe that the relationships enjoyed by Agrop and Czarnikow, to which CEB will have access through the service agreements with Temple, will help to provide a flow of investment opportunities which will meet CEB's investment objectives.

The decision as to whether or not to make an investment will be solely at the discretion of the investment committee of CEB, which will instruct CEB Cayman accordingly.

8 Investment Adviser

Temple is a company recently incorporated in the Cayman Islands whose current shareholders are Czarnikow, Agrop, Numis Corporation plc and Econergy International PLC ("Econergy").

8.1 *Management*

The key role of Temple is to source investment opportunities, provide investment recommendations to the board of CEB Cayman and manage investments on behalf of CEB Cayman and its subsidiaries. Through long term agreements with Czarnikow and TCP Brazil, Temple has access to over 40 sugar/ethanol professionals based in São Paulo, Rio de Janeiro, Ribeirao Preto and London. The Directors believe that this represents one of the largest professional teams dedicated to investment in sugar and ethanol assets in Brazil.

The directors of Temple are:

Peter Thompson *(Chairman)*
Peter has 20 years' experience of working in the sugar industry, the last 10 years as a director for Czarnikow. Based in London, Peter typically spends one week a month in Brazil and is responsible for Czarnikow's Brazilian activities. He is a fluent Portuguese speaker, and will lead the Temple team in providing advice to CEB Cayman, dedicating sufficient time and resource as necessary.

Marcelo Junqueira
Marcelo is CEO of Agrop. He has spent his entire life in the sugar and ethanol industry in Brazil, and he is part of one of the most influential sugar families in Brazil. He will lead CEB Cayman's investments in Brazil and the interaction with the sugar and ethanol mill owners and sugar cane farmers. Marcelo has recently incorporated TCP Brazil to provide agricultural and industrial services to Temple.

Bill Trent
Bill is currently an executive director and the chief financial officer of Numis Corporation plc and its trading subsidiary, Numis Securities Limited. He is a chartered accountant having eight years' experience with Price Waterhouse Coopers. Bill spent 14 years with McKinsey & Company where he co-led their wholesale financial institutions and corporate finance & strategy practices. His previous experience includes acting as chief financial officer, leading the restructuring and recapitalisation of Energis plc on behalf of its' creditors and acting as an adviser to boards dealing with other turnaround situations.

Andrew Galloway
Andrew Galloway is a director and principal of ICG Management Limited ("ICG"), a Cayman Islands based company licensed by the Cayman Islands Monetary Authority to carry on the business of company management. ICG specialises in providing independent director services.

8.2 *Temple Service Providers*

CEB Cayman and its subsidiaries will have the benefit of a range of services provided by the Temple Service Providers. Each of the Temple Service Providers has entered into a service agreement with Temple pursuant to which it has agreed to provide services to the CEB Group via Temple.

Czarnikow will be responsible for providing advice in relation to the investment and operational strategy of the Group. As part of its services it will also review the acquisition and growth strategy and assist in the execution of any acquisitions for the Group. This will involve ensuring that the market analysis is complete and that relations with investors and potential investors are maintained.

TCP Brazil will provide services on the agricultural side of the projects. These services will include the development of new projects, the analysis of investments and due diligence on potential acquisitions. In addition, TCP Brazil will provide information in relation to geographical coordinates of the region, analysis of the fertility of the soil, detailed reports on the pluviometric rates in the regions and the advice in relation to the sugar cane itself, including its resistance and its ability to withstand pests and known diseases in the area. It will also play an active role in considering locations and timings for planting the cane to ensure maximum productivity.

8.3 ***Management Fee***

Temple will not receive any corporate finance or general transaction fees or commissions on Admission. Temple will receive an annual management fee from the Group of 2 per cent of the Company's invested funds and a fee of 0.5 per cent per annum on the Company's cash deposits (plus direct costs, expenses and disbursements). The management fee will be payable quarterly in arrears.

8.4 ***Carried Interest***

In any year Temple will receive carried interest on a portfolio basis provided that a cumulative rate of return of 8 per cent per annum has been achieved by the investment. If the hurdle is achieved, then Temple will be entitled to a 20 per cent carried interest on the cumulative rate of return above 8 per cent per annum on the fund.

If in any one year the return is less than 8 per cent, then the gap between the actual return achieved and 8 per cent will be made up in subsequent years before Temple will be entitled to any further carried interest.

The Directors believe that this structure aligns the interests of Temple with those of the Shareholders.

8.5 ***C. Czarnikow Sugar Ltd.***

Czarnikow dates back to 1861 and today is represented in 11 offices around the world. It is one of the largest physical brokers of sugar in the world. Its key clients include large international corporations, and sugar millers, refiners and traders around the world. Peter Thompson leads the Brazil team within Czarnikow, which acts for approximately 30 per cent of the Brazilian sugar/bioethanol market, providing mergers and acquisition advice, trading, hedging, shipping, consultancy and risk management services. Czarnikow also provides investment advisory services for a number of hedge funds seeking exposure to sugar/bioethanol.

8.6 ***Agropecuaria Orlando Prado Diniz Junqueira***

Agrop provides agronomy and agricultural/industrial services for some of the largest sugar mills in Brazil. The Chief Executive Officer and joint owner Marcelo Junqueira is a landowner, farmer and shareholder in the second largest sugar mill company in Brazil. The Junqueira family is one of the most well known and respected 'sugar families' in Brazil. Agrop is the holding company of TCP Brazil.

8.7 ***Numis Corporation plc***

Numis is a leading independent investment banking and broking business serving London quoted companies and institutional clients in the mid-cap market. Numis' New Energy and Emissions Sector Team is dedicated to developing and presenting investment opportunities across the renewable energy and emissions reduction spectrum.

8.8 ***Econergy International PLC***

Econergy is the world leader in Carbon Credit generation (as of September 2006 having more Certified Emissions Reductions issued by the United Nations than any other company) and in clean energy consultancy (having advised governments, international institutions and the private sector in over 250 projects in over 70 countries). Econergy raised £60 million on AIM in early 2006 for investment into greenfield and operating wind, hydro, biomass and biofuel facilities, principally in Latin America. Headquartered in the US, Econergy has offices in São Paolo, Mexico City and Monterrey, Mexico.

The Company and Econergy have entered into arrangements in relation to Econergy's interest in certain ethanol production projects in Brazil. These arrangements are that Econergy will have a right of first

refusal within a reasonable period to invest up to 50 per cent of the initial equity in the vehicle used by CEB to exploit projects identified by Econergy. Econergy and CEB also have reciprocal rights of first refusal within a reasonable time to invest up to 25 per cent of the initial equity in the vehicles used to exploit each other's projects in Brazil involving sugar and/or ethanol production on the same terms, valuation and price per share as other investors, where the total initial capital equity requirement is more than US$25 million per project. Econergy does not have the right of first refusal to invest in certain of CEB's projects, so that CEB may retain flexibility of finance and management. Econergy is entitled to a 2.5 per cent origination fee based on CEB's initial capital equity consideration and a 10 per cent carried interest. CEB will reimburse Econergy for the cost of developing the Econergy projects in which CEB invests *pro rata* to CEB's interest in those projects.

9 Directors

Brief biographical details of the Directors (all of whom are non-executive) are as follows:

Antonio Monteiro de Castro Non-Executive Chairman (aged 61)

Antonio is the chief operating officer of British American Tobacco plc, a constituent of the FTSE 100 index. In addition, Antonio is non-executive chairman of the Souza Cruz S.A. Administrative Council (one of Brazil's leading companies), and a director of Fundação Getúlio Vargas, Brazil's foremost education and research foundation. Antonio has an MBA from Babson College in the US.

Michael St Aldwyn Non-Executive Director (aged 56)
The Earl St. Aldwyn

Michael St Aldwyn is a director of the Merrill Lynch Latin American Investment Trust PLC. He has had a long association with Brazil, having worked there from 1973 to 1979, and having responsibility for the region in the New York office of ED&F Man Holdings Inc. between 1979 to 1989, where he conducted the physical trading of sugar and coffee, and later the promotion of futures funds. From 1989 to 1994, he worked in the offices of ED&F Man Holdings Inc., creating and launching investment funds. In 1994, he established International Fund Marketing (UK) Limited, a promoter of hedge funds, of which he is currently managing director. He also served as chairman of the Anglo-Brazilian Society from 1996 to 2002. Michael is fluent in Spanish and Portuguese.

Richard Jewson Non-Executive Director (aged 62)

Richard is presently chairman of AIM quoted PFI Infrastructure Company plc and a non-executive director of Temple Bar Investment Trust plc, Grafton Group plc and other unquoted companies. He has previously been chairman of Meyer International plc and Savills plc and deputy chairman of awg plc. He brings to the Company significant public company experience together with an understanding of asset based investment companies.

Marcelo Junqueira Non-Executive Director (aged 37)

Marcelo is a landowner, farmer, and shareholder in the third largest sugar mill company in Brazil. His outsourcing company (Agrop) provides agriculture and agronomy services to some of the largest sugar mills in Brazil. He is a founder member of Econergy Brasil Ltda, and has successfully provided services to more than 25 mills across Brazil. Marcelo is Brazilian, an agronomist, has an MBA and is fluent in English.

Tim Walker Non-Executive Director (aged 50)

Tim is a chartered accountant and an Isle of Man resident. He is the former finance director of Swallow Group plc, the Strix Group (Isle of Man) and Burtonwood Brewery plc. Tim is currently a non-executive director of the PFI Infrastructure Company plc and a number of private companies in the property, leisure and insurance industries.

Philip Scales Non-Executive Director (aged 56)

Philip is managing director of the Administrator, part of the Isle of Man Assurance Group. The Administrator specialises in the provision of third party fund administration and investment management services. Prior to this, Philip spent nearly 18 years as managing director of Northern Trust International

Fund Administration Services (Isle of Man) Limited (formerly Barings (Isle of Man) Limited). He has over 30 years' experience of working offshore, primarily in corporate and mutual fund administration, and currently holds a number of directorships of listed companies. Philip is a Fellow of the Institute of Chartered Secretaries and Administrators.

10 Dividends

CEB intends to recommend a 5p dividend, subject to there being sufficient distributable reserves amongst other things (thus giving CEB a 5 per cent dividend yield based on the Placing Price) in respect of the period to 30 September 2007, payable half yearly. Thereafter, once all the proceeds of the Placing have been fully invested, the Board anticipates that the Company will pay a regular annual dividend subject to the availability of profits for distribution.

11 Borrowing

The Directors do not envisage the Company directly making use of debt facilities. However, the Directors anticipate that individual investments will be geared as appropriate on a project by project basis.

12 Repurchase of Ordinary Shares

The Directors shall have the authority to repurchase up to 10 per cent of the Company's issued Ordinary Shares during the period from the date of Admission until the earlier of the Company's next annual general meeting and the date which is 18 months after the date on which the resolution authorising the repurchase of shares is passed. Any repurchase of Ordinary Shares will be in accordance with the Companies Act 1992 (Isle of Man).

The Directors will consider repurchasing Ordinary Shares if they believe it to be in Shareholders' interests generally, but particularly in order to redress any imbalance between the supply of, and demand for, Ordinary Shares. Subject to Shareholder approval, the Directors expect to renew the authority to repurchase Ordinary Shares at the annual general meeting in 2008, and annually thereafter.

Subject to court confirmation, the share premium account arising on the issue of Ordinary Shares will be cancelled so as to create a distributable reserve, which will be available for distribution to Shareholders should the Directors consider this to be appropriate.

13 Life of the Company

It is initially proposed that the Company will have a life of 10 years. After nine years it is intended that Shareholders will be provided with the choice to confirm the 10 year life of the Company or to extend it for a further defined period.

14 The Placing

Pursuant to the Placing, Numis has conditionally placed 100,000,000 Placing Shares, together with 25,000,000 Warrants and the Temple Placing Shares with institutional investors. The Placing will raise approximately £100,000,000. The Placing is not being underwritten.

Placing Shares have been placed at the Placing Price. In addition, subscribers for Placing Shares will receive one Warrant for every four Placing Shares subscribed and a number of Temple Placing Shares at the discretion of the Directors. Following Admission, the Placing Shares and the Warrants will be transferable and traded separately. No application is being made for the Temple Placing Shares to be admitted to trading on AIM or any other stock exchange and these shares will be transferable independently.

The Placing Shares and the Existing Ordinary Shares will rank *pari passu* in all respects. Details of the Warrants and the Temple Placing Shares are set out in paragraphs 5 and 8.2 respectively of Part VI of this document.

The Company, the Directors, Numis and Smith & Williamson Corporate Finance have entered into the Placing Agreement pursuant to which Numis has agreed, subject to the fulfilment of certain conditions to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The issue of the Placing Shares and the Warrants and the transfer of Temple Placing Shares is conditional, *inter alia*, upon Admission and the Placing Agreement becoming unconditional in all respects (save for any condition

relating to Admission). The Placing Agreement is not conditional upon completion of the investment in Usaciga.

The Placing Agreement contains provisions entitling Numis and Smith & Williamson Corporate Finance to terminate the Placing Agreement in certain circumstances prior to Admission (including certain "*force majeure*" events). If this right is exercised, the Placing Agreement will lapse and any monies received in respect of the Placing will be returned to the placees without interest. The Placing Agreement also contains warranties from the Company and the Directors, and an indemnity from the Company, all in favour of Numis and Smith & Williamson Corporate Finance. Further details of the Placing Agreement are set out in paragraph 8 of Part VI of this document.

15 Corporate Governance

The Directors recognise the value of the Principles of Good Governance and Code of Best Practice as set out in the Combined Code and they will take appropriate measures to ensure that the Company complies with the Combined Code to the appropriate extent, taking into account the size of the Company and the nature of its business. In this regard, the Company has established an audit committee, comprising three of the Directors, under the chairmanship of Tim Walker. The audit committee has formally delegated duties and responsibilities. The audit committee will meet at least twice a year and will be responsible for ensuring that the financial performance of the Company is properly reported on and monitored, including reviews of the annual and interim accounts, results announcements, internal control systems and procedures and accounting policies.

The Company does not, however, consider it necessary to establish remuneration and nomination committees as it has no executive directors. The Company will take all reasonable steps to ensure compliance by the Directors and any employees with the provisions of the AIM Rules relating to dealings in securities of the Company and has adopted a share dealing code for this purpose.

16 Management of conflicts of interest

It is acknowledged that the Temple Service Providers may act as advisers to vendors of assets or equity interests in the Brazilian sugar and ethanol industries in which the CEB Group may also be interested in investing. The Temple Service Providers will be entitled to propose any interested party to the vendors, however, if a Temple Service Provider believes that the project is a strategic fit for the CEB Group, then it will be required to include the CEB Group within the proposed list of potential buyers to the vendors. Decisions as to which party should be the preferred buyer must remain with the vendor. A Temple Service Provider is not permitted to create a competitive environment between those clients it represents. If the CEB Group is not chosen as the preferred buyer, the Temple Service Provider is not restricted from continuing to act on behalf of any other third party which it has proposed. Where a member of the CEB Group and another party proposed by the relevant Temple Service Providers are both the preferred buyers, the Temple Service Provider may still continue to assist with the process. However, to avoid any potential conflict, the other Temple Service Provider and Numis will negotiate the price and terms of the deal with the vendors on behalf of the CEB Group.

17 The Administrator

The Company has engaged IOMA Fund and Investment Management Limited to provide it with certain administration and registration services pursuant to the Administration Agreement.

The main terms of the Administration Agreement are that the Administrator will undertake day-to-day administration of the Company, including the maintenance of its books and records (in particular, its register of members).

Further details of the Administration Agreement are set out in paragraph 11.5 of Part VI of this document.

18 Taxation

General information regarding United Kingdom, Isle of Man, Brazilian and US taxation with regard to the Admission and Placing is summarised in paragraphs 9 and 10 of Part VI of this document. Any Shareholder who is in any doubt as to his tax position, or is subject to tax in a jurisdiction other than the UK, the Isle of Man or the US, should consult their professional adviser.

19 Accounting and Valuation Policy

The Company's financial statements will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU.

20 Admission, Dealings and CREST

Application has been made to the London Stock Exchange for the Ordinary Shares and Warrants to be admitted to trading on AIM. It is expected that Admission will take place and that dealings on AIM will commence at 8.00 a.m. on 18 December 2006.

Application will be made to permit the Ordinary Shares and Warrants to be settled through CREST with effect from Admission. CREST is a paperless settlement procedure enabling title to securities to be evidenced otherwise than by a certificate and transferred other than by a written instrument. The Articles of Association and the Warrant Instrument permit the holding of Ordinary Shares and Warrants in Uncertificated Form in the CREST system.

CREST is a voluntary system and holders of Ordinary Shares or Warrants who wish to receive and retain a share certificate or a warrant certificate will be entitled to do so. Should Shareholders subsequently wish to hold Ordinary Shares in CREST, they will need to follow the requisite CREST procedures for the dematerialisation of their shareholding. Similarly, should Warrantholders subsequently wish to hold Warrants in CREST, they will need to follow the requisite CREST procedures for the dematerialisation of their Warrants.

It is expected that definitive share certificates and warrant certificates will be dispatched by first class post to those Shareholders and Warrantholders whose entitlements are to be dealt with outside CREST at the risk of the person entitled thereto on 2 January 2007, or as soon thereafter as is practicable. It is expected that the CREST accounts in respect of those Shareholders who have requested that their entitlements be dealt with inside CREST will be credited on or before 18 December 2006.

21 Risk Factors

The attention of potential investors is drawn to the "Risk Factors" set out in Part III of this document.

22 The City Code

The Placing gives rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protections they afford are described below.

The City Code is issued and administered by the Panel. The City Code applies to all offers for public companies which have their registered office in the UK, Channel Islands or the Isle of Man and which are considered by the Panel to have their place of central management and control in the United Kingdom, Channel Islands or the Isle of Man.

From 20 May 2006, the Panel is designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive on Takeover Bids (2004/25/EC). Its functions are set out in and under The Takeovers Directive (Interim Implementation) Regulations 2006.

Rule 9 of the City Code ("Rule 9") stipulates, *inter alia*, that if (a) a person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent or more of the voting rights of a company; or (b) a person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent of the voting rights of a company but does not hold shares carrying more than 50 per cent of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested; such person will normally be required by the Panel to make a general offer to shareholders of that company to acquire the balance of the equity share capital of that company not held by such person or group of persons acting in concert. An offer under Rule 9 must be in cash and at the highest price paid by the person required to make the offer or any person acting in concert with him for any interest in shares in the company during the twelve months prior to the announcement of the offer.

For the purposes of the City Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of

that company or to frustrate the successful outcome of an offer for the company. Control means a single holding, or aggregate holdings, of interests in shares carrying 30 per cent or more of the voting rights of the company, irrespective of whether the holding or holdings give *de facto* control.

Following Admission it is anticipated that Stark Master Fund Ltd. and Stark Event Master Fund Ltd., funds managed by Stark Investments ("Stark"), will be interested in 29,900,000 Ordinary Shares representing 29.9 per cent of the issued ordinary share capital of the Company and will hold 7,475,000 Warrants. As Stark will be interested in less than 30 per cent of the issued share capital of the Company it will be able to acquire interests in a further Ordinary Shares up to a maximum of 29.99 per cent of the issued share capital. The Panel has confirmed that the exercise of the Warrants to be held by Stark following Admission will not result in a requirement to make a general offer under Rule 9 provided that such exercise does not mean that Stark becomes interested in more than 34.77 per cent of the issued ordinary share capital of the Company. In the event that Stark acquires interests in shares resulting in that member holding interests in 30 per cent or more of the issued share capital of the Company, unless that acquisition is as a result of the exercise of its Warrants, then Stark will be required to make a general offer under Rule 9.

Following Admission it is anticipated that funds managed by AMVESCAP Plc ("AMVESCAP") will be interested in 29,500,000 Ordinary Shares representing 29.5 per cent of the issued ordinary share capital of the Company and will hold 7,375,000 Warrants. As AMVESCAP will be interested in less than 30 per cent of the issued share capital of the Company it will be able to acquire interests in further Ordinary Shares up to a maximum of 29.99 per cent of the issued share capital. The Panel has confirmed that the exercise of the Warrants to be held by AMVESCAP following Admission will not result in a requirement to make a general offer under Rule 9 provided that such exercise does not mean that AMVESCAP becomes interested in more than 34.382 per cent of the issued ordinary share capital of the Company. In the event that AMVESCAP acquires interests in shares resulting in that member holding interests in 30 per cent or more of the issued share capital of the Company, unless that acquisition is as a result of the exercise of its Warrants, then AMVESCAP will be required to make a general offer under Rule 9.

	Beneficial Interest following Admission	*Number of Ordinary Shares following Admission*	*Beneficial Interest following exercise of all Relevant Warrants**	*Number of Ordinary Shares following exercise of all Relevant Warrants**
Stark	29.9%	29,900,000	34.77%	37,375,000
AMVESCAP	29.5%	29,500,000	34.38%	36,875,000

* Assumes exercise of all Warrants in full by that member only

Stark Master Fund Ltd. and Stark Event Master Fund Ltd. are global multi-strategy hedge funds. Some of their strategies include arbitrage, event driven, distressed, currency, fixed income and long and short equity. The funds are ultimately managed by Stark Investments, a US-based group established in 1992, with approximately $10 billion under management. The funds managed by Stark Investments are principally from pension funds, endowments, funds of funds and individuals. Stark has over 100 investment professionals worldwide. In the UK, Stark Investments (UK) Limited is authorised and regulated by the Financial Services Authority with registered number 208536.

AMVESCAP Plc is an independent global investment manager operating principally through the AIM, AIM Trimark, INVESCO, Invesco Perpetual and Atlantic Trust brands.

23 US Transfer Restrictions

No actions have been taken to register or qualify the Placing Shares and Warrants offered in the Placing or otherwise permit a public offering of the Placing Shares and Warrants in the United States. The Placing Shares and Warrants have not been, and will not be, registered under the US Securities Act and may not be offered, sold or resold in, or to persons in, the United States except in accordance with an available exemption from registration under the US Securities Act. Accordingly the Placing Shares and Warrants are being offered and sold:

- in the United States only to accredited investors, as such term is defined in Rule 501(a) of Regulation D under the US Securities Act 1933 ("accredited investors"); and
- outside the United States in accordance with Regulation S under the US Securities Act.

Due to the following restrictions purchasers of Placing Shares and Warrants are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the Placing Shares and Warrants.

Each US purchaser will be required to acknowledge to or agree with the Company that:

(A) the investment was not solicited by any form of general solicitation or general advertising or in connection with any seminar or meeting to which it was invited by any general solicitation or general advertising;

(B) it is (or any account for which it is purchasing under paragraph (C) below is) an "accredited investor", as such term is defined in Rule 501(a) under the US Securities Act, or an entity, all of the equity owners of which are accredited investors;

(C) it is purchasing the Placing Shares and Warrants for investment purposes for (a) its own account, (b) the account of another accredited investor for which it is acting as duly authorised agent or (c) a discretionary account or accounts as to which it has complete investment discretion and the authority to make, and does make, these representations, and not with a view to any resale, distribution or other disposition of the Placing Shares and Warrants in violation of the US Securities Act;

(D) in the normal course of its business, it invests in or purchases securities similar to the Placing Shares and Warrants and (a) it has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Placing Shares and Warrants and (b) undertakes that no public market for the Placing Shares and Warrants exists in the United States and it is able to bear the economic risk of an investment in the Placing Shares and Warrants for an indefinite period;

(E) it will not be permitted to transfer any of the Placing Shares and Warrants, unless they are registered under the US Securities Act or an exemption from such registration is available; that any certificate representing any of the Placing Shares and Warrants will bear a legend as set forth below; and that the Company will not register transfers of any of the Placing Shares and Warrants, unless the Company determines that the conditions for lawful transfer have been satisfied:

THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "ACT") OR ANY STATE SECURITIES LAWS. THE HOLDER HEREOF, BY PURCHASING SUCH SECURITIES, AGREES, FOR THE BENEFIT OF THE COMPANY, THAT SUCH SECURITIES MAY BE OFFERED, SOLD, OR OTHERWISE TRANSFERRED, ONLY (I) TO THE COMPANY; (II) OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE ACT, IN COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS; (III) WITHIN THE UNITED STATES PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE ACT, IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS; OR (IV) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT, AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS;

(F) the Placing Shares and Warrants are "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act and that, for so long as they remain "restricted securities", the Placing Shares and Warrants may not be deposited into any unrestricted depositary receipt facility, if any, established or maintained by a depositary bank on behalf of the Company;

(G) the Company may make a notation on its records or give instructions to the registrar and any transfer agent of the Placing Shares and Warrants in order to implement the restrictions on transfer set forth and described herein;

(H) the registrar and transfer agents for the Placing Shares and Warrants will not be required to accept the registration or transfer of any Placing Shares and Warrants, except upon presentation of evidence satisfactory to the Company that the foregoing restrictions on transfer have been complied with;

(I) receipt of a copy of this document does not include all information that would be required to be contained in a registration statement under the US Securities Act in connection with a public offering by the Company of securities in the United States;

(J) it has made all independent investigation that it considers necessary to make an informed decision to purchase the Placing Shares and Warrants and that, at a reasonable time before executing the subscription agreement relating to the Placing, it was given an opportunity by the Company to ask questions and receive answers concerning the terms and conditions of the Placing and to obtain additional information necessary to verify the accuracy of information contained in this document or otherwise furnished by the Company to it; and

(K) the Company is relying on the truth and accuracy of the foregoing representations and warranties in offering the Placing Shares and Warrants in the United States pursuant to an exemption from the US Securities Act and accordingly such US purchaser agrees to indemnify and hold harmless the Company from and with respect to any claim, loss, or expense (including attorney's fees and expenses) resulting from any breach of any such representation or warranty; in addition, and without limiting the foregoing, such US purchaser agrees to so indemnify the Company respecting any unsuccessful action that such US purchaser brings under the US Securities Act, the Securities Exchange Act of 1934, or securities law of any other jurisdiction.

24 Further Information

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

PART II

THE BRAZILIAN SUGAR AND BIOETHANOL MARKETS

1 Basic Information on Brazil

Government:	Presidential Republic
Head of State:	President, 4 year term. Last election 29 October 2006
Land Mass:	8.5 million km sq.
Capital City:	Brasilia
Population:	186.77 million (2005)
Currency:	Brazilian Real (BRL) R$2.144 = US$ 1 at 7 November 2006
Economy:	Total GDP (2005) BRL 1.94 trillion

2 Politics of Brazil

Brazil is a multi-party democracy, located in South America, with government formed of three independent branches: the executive, the legislative and the judiciary. The legislative branch consists of a senate and a lower house, the senate comprising of 81 members who legislate over an eight year term and the lower house of 513 members who legislate over a four year term.

On 29 October 2006, Brazil held its fifth presidential election since military rule ended 21 years ago. A centre-left coalition headed by the PT (Labour Party) is now in power and the president, Luis Inacio Lula da Silva, has been re-elected to govern the country for an additional 4 years. Despite the party's stance to the left, the PT has continued the economic policies started by the previous government which was led by the PSDB, a centre-right party.

3 The Brazilian Economy

Over the last 18 years, Brazil has moved from a centralised to a private initiative based economy. The opening of the Brazilian economy started in 1989 during Fernando Collor de Melo's government and was intensified during Fernando Henrique Cardoso's two consecutive terms with the privatisation of several state owned companies and the deregulation of various markets, including those in oil, sugar and bioethanol.

The cornerstone of the country's current economic policy has been inflation control. In 1994, the government implemented an inflation target system using the interest rate as the main means of inflation control as part of an economic programme called the "Real Plan". Between 1994 and 1998, the government also used control of the exchange rate as part of its economic policy, but this practice was abandoned in early 1999 as the country did not have sufficient reserves to maintain this policy. As a result, the Real devalued which in turn helped to boost the country's exports and pushed the trade balance back to surplus.

Currently, the government does not exercise strict control of the exchange rate and, due mainly to the significant trade balance surplus, the national current account has moved into a positive balance and the country is increasing its international reserves.

GDP growth:

The growth of Brazilian GDP has been relatively modest in the recent past. Between 1995 and 2005, Brazilian GDP grew by a total of 24.5 per cent (or 2.2 per cent per year on average). High domestic interest rates during this period have played a role in this relatively modest performance.

Interest rate:

The interest rate has been used by the government as the main means of controlling inflation since the implementation of the Real Plan in 1994. The relatively high level of interest rates in place since 1994 have contributed to the predominantly stable levels of inflation over this period. This stability has allowed the government to gradually lower interest rates in an effort to increase GDP growth. In the medium term, net interest rates are expected to fall below 10 per cent per annum.

Inflation:

Inflation control has been one of the main government concerns since Fernando Henrique Cardoso's government, and the country has managed to lower the inflation rate significantly from 22.41 per cent in 1995 to 5.69 per cent in 2005 according to the IPC-A index, even though a formal inflation target system was only implemented in 1999. For 2006, the government inflation target is 4.5 per cent although market analysts generally expect inflation to be lower.

Government budget:

Since the beginning of the Real Plan the Brazilian government has adopted strict controls over public spending. A primary surplus target system has been in place in an effort to prevent uncontrolled increases in government debt. The target for 2006 is to reach a primary surplus of 3.15 per cent of the GDP.

Foreign trade:

The government adopted the promotion of foreign trade as part of its policy and has been working towards the development of new markets for Brazilian products. In this regard, one of the issues embraced by Brazil is the fight against agricultural protectionism as the country clearly has an advantage in the production of agricultural commodities.

4 The Sugar Market

The world sugar consumption is estimated by Czarnikow to be approximately 140 million tonnes of which, approximately 44 million tonnes were supplied through international trade in the 2005/06 season. World sugar consumption has been on an upward trend as a result of population growth, urbanisation and increasing incomes, particularly in Asia and the Middle-East.

The international sugar market has undergone a fundamental change as a result of the decision of the World Trade Organisation that the EU sugar export regime exceeded the limit of subsidised exports. The EU will reduce its sugar exports from 8 million tonnes in the 2005/06 season to 1.4 million tonnes from the 2006/07 season onwards which will create space for other sugar exporting countries.

The space left by the EU in the international market is creating an opportunity for refiners to expand production in order to fill the gap in the refined sugar market. Currently, new refineries are under construction in Colombia, Nigeria, Egypt and Bangladesh. Given that refiners need to buy raw sugar to produce refined sugar, this investment in refining is anticipated to increase raw sugar demand.

Brazil, as the largest sugar producer and exporter in the world, plays a pivotal role in the international sugar market. Being one of the lowest cost bulk sugar producers, Brazil has been able to exploit the growth in international sugar demand. According to Czarnikow data, in 1990 the international free sugar trade accounted for 30 million tonnes and Brazil exported around one million tonnes, while in 2005, the free trade totalled around 40 million tonnes and Brazil supplied around 17 million tonnes.

Domestically, Brazil enjoys a completely deregulated sugar market. The deregulation process was concluded in 1997 and since then Brazilian sugar production has increased by 74 per cent, according to UNICA (Union of the Cane Industry from São Paulo State) figures. Government interference in the sugar market is now negligible and producers are free to decide upon their production, expansion programmes, exports and prices.

More than 65 per cent of Brazilian sugar production was exported during the 2005/06 crop, which makes the international market key for Brazilian producers. The domestic market in Brazil is also material, as per capita consumption is estimated at approximately 58kg of sugar per annum. By way of comparison India's per capital consumption is estimated at approximately 18kg of sugar per annum.

5 The Bioethanol Market

Brazil started using bioethanol on a large scale after the introduction of the Pro-Alcool programme in 1974, which aimed to reduce the impact of the oil crises on the country's finances. Until the early 1990's the bioethanol market was strictly controlled by the government, which used to determine prices and production quotas via the IAA (Sugar and Bioethanol Institute). In 1991, during Fernando Collor de Mello's presidential term, the IAA was abolished and deregulation of the bioethanol market started.

The deregulation of Brazil's bioethanol market ended in 1998, after which government intervention has been kept to a minimum, essentially limited to determining the blending rate of bioethanol into gasoline.

In 2003, flex-fuel cars were introduced into the Brazilian market. The introduction of these vehicles represented an important milestone for the Brazilian bioethanol market. Given that these cars can run on gasoline, bioethanol or any mixture of both, domestic demand is expected to rise sharply in the near future, provided bioethanol remains competitively priced compared to gasoline. According to UNICA, domestic bioethanol demand is likely to grow by 7.5 billion litres by the 2010/11 season, representing an increase of around 56 per cent on the consumption level of the 2005/06 season.

Since the early 2000s, both producers and the government have been working towards the development of an international bioethanol market with noticeable results. According to UNICA figures, bioethanol exports grew from around 400 million to 2.4 billion litres between the 1999/00 season and the 2005/06 season.

The increase in oil prices and environmental concerns have driven several countries to look at bioethanol and implement bioethanol blending programmes, which could stimulate an increase in international bioethanol demand.

Brazil is considered to be in a good position to capitalise on the emerging bioethanol market for a number of reasons, including:

- According to data from the Ministry of Agriculture Livestock and Supply, the current total of land dedicated to cane growth in Brazil is around 6 million hectares and an additional 90 million hectares would be suitable for that purpose.
- Bioethanol in Brazil is derived from sugar cane and, according to International Energy Agency data, sugar cane based bioethanol offers a higher reduction of greenhouse gas than bioethanol compared with other sources such as corn, beet and wheat.

6 Foreign Investment in the Brazilian Market

To date, most industry expansion has been performed by Brazilian groups, but the prospects for the bioethanol market and the competitive advantages for sugar production in Brazil have led foreign investors to consider seriously investment in sugar and bioethanol in the country. This has been encouraged by Brazilian producers looking for partners to fund expansion programmes.

PART III

RISK FACTORS

Investors should carefully consider the risks and uncertainties described below. These risk factors should be read in conjunction with all other information contained in this document. Prospective investors should be aware that an investment in the Company involves a higher than normal degree of risk. Additional risks and uncertainties not presently known to the Company or the Directors or that the Company currently deems immaterial may also impair the Group's business operations. If any or a combination of these risks actually occurs, the business, financial condition and operating results of the Company could be adversely affected. If this occurs, the price of the Ordinary Shares and the Warrants and the ability of the Company to pay dividends on the Ordinary Shares could be adversely affected and investors may lose all or part of their investment. The Directors believe the following risks to be the most significant for potential investors. The risks listed, however, do not necessarily comprise all those associated with an investment in the Company and are not intended to be presented in any assumed order of priority.

Risks relating to the Group

New company with no operating history

The Company was incorporated on 19 September 2006 and has no operating history. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Company will not achieve its investment objective and that the value of a Shareholder's investment in the Company could decline substantially. There can be no assurance that the Company will be able to achieve any of the returns referred to in this document. The Company may be unable to find a suitable number of attractive opportunities to meet its investment objectives and those that are or have been identified may not be completed. Shareholders will be relying on the ability of the Investment Adviser to identify, negotiate and structure the investments to be made by the Group.

Dependence on key personnel

The continued success of the Group will depend to some extent on the continued services of the Investment Adviser, the loss of whose services could have a material adverse effect on the Company's performance.

The Group cannot guarantee project performance

There is no guarantee that the Group's projects will proceed as planned, or in accordance with the expected timescale. Delay to the projects, or failure of the projects to be completed or to operate as planned would have a significant adverse effect on the Company's prospects. The parties with whom the Group contracts in relation to projects may be unable to fulfil their obligations under the contracts, and this may have an adverse impact on the performance of the project, and therefore on the financial performance of the Group.

No guarantee as to future performance of the Company

There can be no assurance that the Company will be able to achieve the returns referred to in this document or that it will be fully invested within the timescales indicated. The investment opportunities referred to in this document cannot be guaranteed and it may be the case that only some or even none of these come to fruition.

The structure and specific provisions of any of the Group's financing arrangements could give rise to additional risks

The use of borrowings presents the risk that Group companies may be unable to service interest payments and principal repayments or comply with other requirements of their loans, rendering borrowings immediately repayable in whole or in part, together with any attendant cost, and a Group company might be forced to sell some of its assets to meet such obligations, with the risk that borrowings will not

be able to be refinanced or that the terms of such refinancing may be less favourable than the existing terms of borrowing.

A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions which are beyond the Group's control) may make it difficult for Group companies to obtain such new finance on attractive terms or even at all. If a Group company's borrowings become more expensive, relative to the income it receives from its investments, the Group's profits will be adversely affected. If a Group company is unable to obtain new finance then it may suffer a substantial loss as a result of having to dispose of those investments which cannot be refinanced.

The payment of dividends is uncertain

The Company is a holding company and its operations are conducted through subsidiaries (including joint ventures). Consequently, its main sources of revenue are expected to be dividends or advances from its subsidiaries. The ability of the Company's subsidiaries to pay dividends and of the Group to receive distributions from its investments in other entities, is subject to applicable local laws and other restrictions, including applicable tax laws and covenants in some of the Group's bank credit facilities. These laws and restrictions could limit the payment of dividends and other distributions to the Company and so restrict the Company's ability to fund other operations or to pay a dividend to Shareholders.

The payment of any future dividends will be at the discretion of the Board, subject to applicable laws. The payment of any initial dividend and the achievement of any future dividend increases in accordance with the Company's dividend policy will depend upon a number of factors, including the availability of sufficient distributable reserves. The generation of profits for distribution depends on the successful management of the Group's investments, the sugar yields from the greenfields, the impact of climate change and the Company's success in investing the net proceeds of the Placing in accordance with its objectives, interest costs and taxes, amongst other things.

Economic conditions and other circumstances outside the control of the Company may affect the Company's financial position

The financial position of the Company may be adversely affected by general economic conditions, by the conditions of the markets in which the Group is operating and by the particular financial condition of the parties conducting business with Group companies.

The Group companies' business involves a developing market for which little historical trading information exists. As a consequence, the Group's future revenue is difficult to predict.

The Group is subject to competition risks and it may be difficult to identify and secure suitable investments

The activity of identifying and securing attractive investments may from time to time be highly competitive and involve a high degree of uncertainty. Given the potential for growth of the bioethanol market, it is likely that the Group will face increasing competition from both domestic and overseas competitors who may have greater capital and other resources and who may be able to provide better services or adopt more aggressive pricing policies. Such competition may cause a decrease in expected profit margins, and adversely affect the Group's market share. Such competition may have a significant adverse effect on the Group's business, financial condition, trading performance and prospects.

There can be no assurance that the Company will be able to identify and secure investments that satisfy its rate of return objective or realise their values or that it will be able to fully invest its available capital.

Permits and consents may not be granted which may affect the Group's business

There can be no guarantee that any permits, consents or approvals required from third parties in connection with existing or new development projects will be issued or granted to Group companies. A failure to obtain such permits, consents or approvals may affect the Group's ability to execute or complete existing and/or new development projects.

One example of this could be the failure of Usaciga to obtain written consent from Eletrobrás under the Proinfa Agreement to the investment to be made by the Group in Usaciga. However, Temple has already received assurances from Eletrobrás that it would not object to CEB's investment in Usaciga and that Eletrobrás will provide written consent to CEB.

The Company's profitability is subject to Group companies' ability to secure project funding

The Group's growth depends on the successful implementation of new projects, all of which require equity capital and, in some cases, debt in order to achieve returns acceptable to investors. A long delay or inability to raise financing for the projects would seriously impact the Group's development and ownership strategy and therefore its business, financial condition, trading performance and prospects.

The Group is exposed to foreign exchange risks

The Company's investments' principal operating currency will be United States Dollars but certain of its income and expenditure is expected to be denominated in currencies other than United States Dollars.

Consequently, the Group's performance will be subject to the effect of exchange rate fluctuations with respect to the currencies in which its income and expenditure are denominated in to the extent these exposures are unhedged.

The Group's dividend policy (as stated in paragraph 10 of Part I — "Information on the Company") will be based on its financial results. Any dividends or other distributions in respect of the Ordinary Shares will be paid in Sterling and the market price of the Ordinary Shares will be reported in Sterling. Accordingly, investors will be subject to the risk of currency fluctuations between the declaration of a dividend in United States Dollars and its payment in Sterling. In addition, the dividend policy may not result in a consistent payout when expressed in Sterling terms.

The preparation of the Group's consolidated financial statements requires it to make many estimates and judgements, the change of assumptions of which may cause a material and adverse change in its financial condition or results of operations

The preparation of the Group's consolidated financial statements requires the Group to make many estimates and judgements that affect the reported amounts of assets, liabilities, revenues and expenses and disclosures of contingent liabilities. On an ongoing basis, the Group evaluates its estimates and assumptions, including those related to revenue recognition, investment valuations, intangible assets, bad debts and contingencies. The Group bases its estimates on historical experience, where possible, and on various other assumptions that it believes to be reasonable under the circumstances, which form the basis of its judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and judgements for a relatively new company, like the Company, are more difficult to make than those made for a more mature company.

Risks relating to Investments

Companies and businesses in which the Group intends to invest operate in an industry and in a jurisdiction that have their own unique characteristics. The investee businesses may have entered into contractual arrangements or may be bound by regulatory requirements that appear legally unduly onerous, but which are quite usual and acceptable within the industry and jurisdiction within which the relevant business operates. In practice, the management of these businesses may regard the entering into of such contracts and arrangements as being entirely usual and that they carry little practical risk; nevertheless, were such contracts and arrangements to be successfully enforced to their full extent this could lead to a material reduction in the value of the investment.

One example of this is the Proinfa Agreement as summarised in paragraph 11.7 of Part VI of this document. The Directors believe, on the basis of advice received, that the arrangements entered into with Centrais Elétricas Brasileiras S.A. ("Eletrobrás") are entirely standard within the Brazilian electricity sector, and take a form similar if not identical to most if not all other contracts entered into by Eletrobrás in relation to this type of arrangement. Nevertheless, the Proinfa Agreement does contain provisions which, if enforced due to a failure to meet certain obligations under the agreement, could lead to material penalties being payable by Usaciga. Accordingly the Directors have sought and obtained various financial protections from the current owners of Usaciga to mitigate the impact of such penalties.

The Directors have also been advised that in other instances where similar contracts have been breached Eletrobrás has not imposed the financial penalties on which it was possibly entitled to rely under the terms of the relevant contract (and the Directors believe that, in many cases, it is unlikely to be in Eletrobrás' best

interests to enforce such penalties, given that its aim is to maximise electricity generation and ensure domestic energy self-sufficiency within Brazil).

The Group will carry out due diligence in relation to potential investee businesses and will enter into investment, acquisition and shareholders' agreements with the intention of safeguarding its investments. To an extent, the terms and bases on which the investments are made will depend on a number of factors, including the relative bargaining positions of the Group and the other contracting parties. The Group is nonetheless unlikely to be able to mitigate or avoid all risks in the investment process and there can be no guarantee that the Group will be able to make full recovery in respect of all claims and/or losses that may arise.

Risks relating to Brazil

The Company is an Isle of Man company but its subsidiaries include Brazilian companies, and substantially all of the Group's fixed assets will be located in, and substantially all of its revenues will be derived from, Brazil. There are certain risks associated with an investment in Brazil.

Brazilian law on renewable energy will have an impact on the Group's business

In Brazil, the government has written the PROINFA law, which guarantees offtake and pricing for renewable energy. There is a risk that the plan will not take effect to the degree or level anticipated. If pricing is not as desirable as the market envisages a reduction in the volume of projects available for investment could occur. This would negatively affect the Company's overall business plan. If fewer projects are available for investment, the Company will be required to seek investment opportunities in other markets.

The Brazilian legal system

The Brazilian judicial process is different to a Western European one and parties seeking to rely on the local courts may find that it is difficult to obtain effective redress in respect of a breach of law or regulation, or in an ownership dispute.

The Group is exposed to political and economic risks in Brazil

The Brazilian market is subject to greater risks than more developed markets, including greater legal, economic and political risks. In addition, adverse political or economic developments in neighbouring countries could have a significant negative impact on, among other things, Brazil's gross domestic product, foreign trade or economy in general.

The Company's performance could be significantly affected by events beyond its control in Brazil, such as a general downturn in the economy of the region, changes in regulatory requirements and applicable laws (including in relation to taxation and the environment), the condition of the financial markets in Brazil and interest and inflation rate fluctuations. Such events could reduce the Company's profits and, consequently, could have an adverse impact on the Company's ability to pay dividends and the Company's net asset value.

With any investment in a foreign country there exists the risk of adverse political or regulatory developments including but not limited to nationalisation, confiscation without fair compensation, terrorism, war or currency restrictions. This latter risk may be imposed to prevent capital flight and may make it difficult or impossible to exchange or repatriate foreign currency.

Risks relating to operational structure of sugar and bioethanol production

Various issues relating to renewable energy pose risks which may lead to circumstances having a substantial adverse effect on the Group's business, financial condition, trading performance and prospects. Such issues include:

Environmental

Bioethanol is currently seen as being one of a number of renewable sources of energy. It is possible that other more realistic and/or desirable alternatives to petrol may be developed which compete with bioethanol. The development of new alternatives to fossil fuels could also give rise to significant new competitors, which may have a material adverse effect on the financial viability of the Group's operations.

A range of policies which support the use of bioethanol are underpinned by EU climate change policy and adherence to the Kyoto Protocol targets in particular. Changes to these policies could have a negative impact on the demand for bioethanol.

Sugar cane plantations have in general been linked to a number of negative effects, including soil degradation, deforestation, urbanisation and poor labour conditions. Campaigners may push the government for stricter controls which could have an adverse impact on the Group's business. However, the corporate and social responsibility of the cane sector in Brazil may mitigate some of these risks. CEB intends to have operational strategies specifically related to responsible agricultural use of land and soil conservation, forestry conservation in accordance with Brazilian Agricultural Ministry guidelines, prohibition of slave or child labour and positive policies on the provision of social welfare/health/education for the workforce in operating units in which the Group makes investments.

The availability of resources cannot be guaranteed

The Group's projects may be affected by the lack of availability of sugar cane. As an agricultural crop, the cane supply and sugar content within the cane is variable and can be adversely affected by climatic factors, most noticeably drought. Additionally the crop productivity can be affected by labour shortages, plant diseases and pests. Geographic diversity and cane variety selection may mitigate this risk to some extent.

Bioethanol and sugar prices are volatile

Bioethanol and sugar prices are largely dependent on the dynamics in world production and consumption, and might also be affected by fluctuation in energy prices, as well as by other related commodities markets and macroeconomic changes/policies. No consistent forward futures markets exists for bioethanol, while sugar export prices are typically based on the international market price of sugar as quoted under the No.11 contract traded in the New York Board of Trade. CEB, through its investment operating companies will undertake hedging through futures, options and over the counter derivatives to manage both sugar and bioethanol exposures. However, there is also a risk that such management may adversely affect the Group's operating performance.

As renewable energy projects have high fixed/capital costs and low variable/operating costs, the total (levelised) cost of generation is very sensitive to changes in equipment costs.

If there is a collapse in the price of sugar, it is the Directors' intention that the Group would shift its focus to bioethanol. At low prices for sugar, it is considered that the price of bioethanol will become detached from the price of sugar and remain tied to the fossil fuel based alternatives. However, there is no guarantee that the Group will be able to do this, and if not, the impact of the price changes in sugar could have a significant impact on the Group's revenue.

The Group's operations are subject to the regulatory regime and permits relating to renewable energy

The profitability of renewable energy facilities will be in part dependent upon the continuation of a favourable regulatory climate with respect to the continuing operations and the future growth and development of the independent power industry and environmentally preferred energy sources.

Countries are continuing to negotiate and extend the international climate change regime established under the UN Framework Convention and the Kyoto Protocol. Any changes to the regime (dealing for instance with the legal status of emissions credits or their 'bankability' over different commitment periods) will need to be reflected as appropriate in both EU and domestic legislation.

Projects which seek to take advantage of the 'flexible mechanisms' created under the Kyoto Protocol (including the Clean Development Mechanism ("CDM"), Joint Implementation and Emissions Trading) will need to comply with relevant international and domestic legal requirements. Operations conducted under this ongoing international legislative process could give rise to political/sovereign risks where the ongoing approval of the Brazilian authorities is needed for a project, in the same way as for any type of foreign direct investment. If relevant approvals are not obtained, this could have an adverse financial impact on the Group's operations and financial position.

The Group's performance is subject to operating risks

Bioethanol and sugar greenfields encompass operations which are subject to strict environmental and safety standards and regulations imposed by relevant national regulatory bodies. Despite the fact that CEB intends to have operational strategies in accordance with the Brazilian regulatory entities, failure to operate greenfields in strict compliance with applicable regulations and standards may expose owners or operators of greenfields to claims and clean-up costs and possible enforcement actions. Any new law or regulation could require significant additional expenditure to achieve or maintain compliance.

Future Brazilian and international governmental policies could affect sugar, bioethanol and energy cogeneration demand and prices, through export or import restrictions, price regulation or any other measures related to the Group's activities. Although the Directors understand that the international community is targeting a greater deregulation of the markets where the Group will operate, CEB cannot guarantee that any kind of restrictive policies will not have a negative impact on the Group's operations.

The Group's business may be adversely affected by the non-fulfilment of contracts

The Group's operations may have negotiated, or may in the future negotiate, a number of contracts for the sale of a proportion of the sugar output from the greenfields. However, in certain cases, fulfilment of the terms of these contracts is dependent on full production of sugar cane from the greenfields being achieved in accordance with expectations. If production cannot be achieved within the anticipated timescale, penalty payments may have to be made to the relevant counterparties. Furthermore, the relevant Group's operations may not be able to enter into further sales contracts to sell the sugar at acceptable prices.

There can be no certainty that counterparties will fulfil, or be able to fulfil, their contractual obligations to the Group, or that the Group will be able to recover damages should the terms of any contracts be breached. Any insolvency of third parties or failure by third parties to fulfil their contractual obligations could have a material adverse effect on the Group and its operations.

The success of the Group's investments will be reliant on the market for sugar and bioethanol

The Group's main products will be sugar and bioethanol produced from sugar cane and the Group has no plans to develop other products. The Group's performance is therefore dependent on the commercial success of these products. The Directors intend that the Group will have the capacity to shift the production focus towards whichever of these two products is offering the best economic return, however, given the technical constraints, the capacity of changing the production output is limited to a certain mix level. In the event that a major disruption on the commercialisation of one of the products occurs the Group will be unable to transfer the entirety of its operational capacity towards the production of the alternative product.

Taxation related risks

Ownership of the Company's shares has certain tax consequences for investors, details of which are set out in paragraph 9 of Part VI of this document). The tax regimes of other countries in which the Group has operations, such as Brazil, will affect the Company's financial condition and prospects. The Group may be subject to taxes on all or part of its income.

The Group is exposed to risks relating to taxation

Any change in a Group company's tax status or in taxation legislation in the Isle of Man, Brazil or any other country in which the Company has assets or operations could affect the value of the assets held by the Company, affect the tax liabilities of the Company and affect the Company's ability to achieve its investment objective or provide favourable returns to Shareholders. Any such changes could also adversely affect the net amount of any dividends payable to Shareholders.

In order to maintain its non-United Kingdom tax residence status, the Company is required to be controlled and managed outside the United Kingdom. The composition of the Board, the place of residence of the Board's individual members and the location(s) in which the Board makes decisions will be important in determining and maintaining the non-United Kingdom tax residence of the Company.

While the Company is incorporated in the Isle of Man and the majority of its Directors are resident outside the United Kingdom continued attention must be paid to ensure that the place of management and control

of the Company is outside the United Kingdom, to avoid a risk that the Company may be considered United Kingdom tax resident. If the Company were to be considered a United Kingdom resident for tax purposes this could negatively affect its financial and operating results and returns to Shareholders.

In addition, if the Company were treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it invests or in which its interests are managed, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax.

Brazilian investments are likely to be held by intermediate holding companies. Acquisitions will be structured to mitigate taxes and withholding tax in these jurisdictions. However, it is possible that tax will arise and to the extent that there is a change in legislation, additional tax costs may arise.

Certain countries have tax regimes which impose withholding taxes on the profits or other returns derived from the projects in which the Company has investments. This tax may be non-recoverable.

Rates of withholding tax will change from time to time which may have an adverse effect on the financial condition and prospects of the Company.

Changes in certain fiscal regimes could adversely impact the Group's business

The Group's profitability is impacted by the levels of direct and indirect taxation levied on its profits in the locations in which it operates. Increases in these direct or indirect taxes could adversely affect the returns that can be achieved by the Company and may result in a decline in profits.

In addition, the interpretation of guidelines, rules and legislation by governmental or regulatory taxation bodies in the countries in which the Group operates may change from time to time. The Group's conduct of operations may not be held to be consistent with such changes in interpretation, which could require the Group to change aspects of its operations which may, correspondingly, lead to a decline in its revenues and/or profits.

The Group may benefit from beneficial tax rulings in certain countries which help reduce the Group's overall corporate tax charge. Should any of the Group companies receive adverse tax rulings or the laws or policies in these countries change, this might have a material adverse effect on the Company's net profit.

If the Company or Temple is characterised as a passive foreign investment company for US federal income tax purposes, US Holders of Ordinary Shares or Temple Placing Shares may suffer adverse tax consequences

Generally, if for any taxable year, after applying certain look-through rules, 75 per cent or more of the Company's or Temple's gross income is passive income, or at least 50 per cent of the Company's or Temple's assets are held for the production of, or produce, passive income, the Company and Temple will be characterised as a passive foreign investment company ("PFIC") for US federal income tax purposes. A determination that the Company or Temple is a PFIC could cause their US shareholders to suffer adverse tax consequences, including having gains realised on the sale of their Ordinary Shares or Temple Placing Shares taxed at ordinary rates, rather than capital gain rates and could have an adverse effect on the price and marketability of such shares. For further information, please refer to the paragraph entitled "Certain United States Federal Income Tax Considerations — Passive Foreign Investment Company Considerations" in paragraph 10 of Part VI.

Dividends paid by the Company or Temple to US Holders will not be treated as qualified dividend income for United States federal income tax purposes

A non-corporate US Holder's "qualified dividend income" currently is subject to tax at reduced rates not exceeding 15 per cent instead of ordinary income tax rates up to 35 per cent, provided that such US Holder meets certain requirements. Dividends paid by the Company and Temple will not be treated as qualified dividend income because (1) the Ordinary Shares and Temple Placing Shares will not be traded on an established securities market in the United States and (2) there is currently no income tax treaty between the United States and the Isle of Man or the Cayman Islands. See discussion at "Certain United States Federal Income Tax Considerations — Distributions Paid on the Shares."

General risk factors

The Group is exposed to general risks relating to AIM

The Ordinary Shares and the Warrants will be admitted to trading on AIM and it is emphasised that no application is being made for admission of the Ordinary Shares or the Warrants to be traded on the Official List. An investment in securities that are traded on AIM carries a higher risk than an investment in securities listed on the Official List.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares or the Warrants. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges. The rules of AIM are less demanding than those of the Official List.

Share price volatility and liquidity may affect the performance investments in the Company

The share price of publicly traded companies can be highly volatile. The market price of the Ordinary Shares or the Warrants may not reflect the underlying value of the assets of the Company. The price at which the Ordinary Shares and the Warrants will be quoted and the price which investors may realise for their Ordinary Shares or Warrants will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect quoted companies generally. These factors could include the performance of the Company's marketing programmes, large purchases or sales of the shares, currency fluctuations, legislative changes and general economic conditions.

Prior to Admission there has been no public market in the Ordinary Shares. Whilst the Company is applying for the admission of the Ordinary Shares and the Warrants to trade on AIM, there can be no assurance that an active trading market for the Ordinary Shares and the Warrants will develop, or if developed, that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List or other exchanges.

As a result of certain attributes of the Company, there are restrictions on transfers of the Placing Shares and Warrants into the United States and to US persons (as defined in Regulation S under the Securities Act) as further described in paragraph 22 of Part I of this document. Pursuant to certain requirements under Regulation S, the Company is currently required to have the Placing Shares and Warrants issued to US placees in certificated form with a legend setting out the relevant restrictions (the text of which is set out in paragraph 22 of Part I of this document). As such, and as described in Part I of this document, these Placing Shares and Warrants cannot at this stage be traded through CREST and there may therefore be lower liquidity than there otherwise would be if these Placing Shares were held in CREST and were not subject to such restrictions on transfer.

The Company may be subject to Registration Requirements under the US Exchange Act

Under Section 12(g) and Rule 12g-1 under the US Exchange Act, any company which has US$10 million or more in assets on the last day of its most recent fiscal year and any class of its equity securities held of record by 500 or more persons is required to register under the US Exchange Act. Such registration obligates a company to file the same annual, periodic and current reports with the SEC that are required as a result of US Securities Act registration and to comply with various substantive provisions of the US Exchange Act (including various corporate governance requirements under the US Sarbanes-Oxley Act of 2002) and the cost of such compliance may cause the Company to expend significant resources both in terms of management time and working capital.

This registration and compliance is required even if the issuer has done no registered offering in the United States and has not listed its securities in any US market.

Non-US companies which qualify as "foreign private issuers" may be exempt from this requirement under US Exchange Act Rule 12g3-2 if they have less than 300 US-resident shareholders or if they have 300 or more US resident shareholders and, amongst other things, do not have securities quoted in an "automated inter-dealer quotation system" and certain other conditions are met.

US companies do not qualify for the exemption. Consequently, the Company is potentially subject to such US Exchange Act registration whenever it has US$10 million or more in assets and 500 or more shareholders, wherever resident.

There will be restrictions on the transfer of Ordinary Shares in the United States

The Ordinary Shares will not be registered under the US Securities Act of 1933. Rather, the Ordinary Shares are "restricted securities" which are being offered and sold pursuant to certain exemptions for such registration. As a result, an investor's ability to resell the shares will be subject to significant restrictions.

The Company will not be registered under the Investment Company Act

The Company will not be registered as an investment company in the United States under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on registered investment companies, none of which may be applicable to the Company or investors in the Company.

The Company is exposed to risks relating to forward-looking statements

Certain statements contained in this document may constitute forward-looking statements. Such statements include, amongst other things, statements regarding the Company's or management's beliefs, expectations, estimations, plans, anticipations and similar statements. Any such forward-looking statements involve risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements speak only as of the date of this document and there can be no assurance that the results and events contemplated by such forward-looking statements will, in fact, occur. The Company and the Directors expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein, or to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, save as required to comply with any legal or regulatory obligations (including the AIM Rules).

PART IV

VALUATION OF THE PROPOSED INITIAL INVESTMENT

The Directors
Clean Energy Brazil plc
IOMA House
Hope Street
Douglas
Isle of Man IM1 1AP

The Directors
Temple Capital Partners Limited
Queensgate House
South Church Street
PO Box 1234
Grand Cayman
KY1-1108, Cayman Islands

13 December 2006

Dear Sirs

Valuation of the proposed investment by Clean Energy Brazil plc (the "Company") in Usaciga Acucar, Alcool e Energia Electrica Ltda ("Usaciga") (the "Proposed Initial Investment")

Scope of work

You have provided us with a valuation of the Proposed Initial Investment conducted by Nexia on behalf of the Company and the Baréa family (the "Valuation"). The valuation indicates an Enterprise Value for Usaciga in the range of US$170.3 million to US$270.3 million. We have been requested to:

- comment upon the methodology used for the Valuation, with reference to the International Private Equity and Venture Capital Valuation Guidelines published in March 2005 by Association Francaise des Investisseurs en Capital, the British Venture Capital Association and the European Private Equity and Venture Capital Association (the "Guidelines"); and
- check the arithmetical accuracy by which the methodology has been applied to the financial information underlying the Valuation.

Limitations and disclaimers

The financial information underlying the Valuation, which is the responsibility of the directors of Usaciga, includes forecasts, which involve predictions of future events that cannot be assured and are therefore necessarily based on assumptions, many of which are beyond the control of Usaciga and its management. Market, economic and other conditions can change over relatively short periods of time and could change validity of the assumptions and the value of the proposed investment positively or negatively. We have relied on these forecasts and have assumed that they were prepared appropriately and accurately based on the information available to Usaciga and its management at the time. The forecasts remain the responsibility of the directors of Usaciga and we express no opinion on whether the forecasts are achievable. Except where explicitly stated, we have not verified the financial information.

This Report has been prepared in accordance with the instructions of the Investment Adviser and the Company and is for the benefit of the Investment Adviser and the Company only. We have consented to the inclusion of this Report in the admission document prepared in connection with the admission of the Company to the AIM market ("the Admission Document"). Notwithstanding our consent to the inclusion of this Report in the Admission Document, we accept no duty of care to any party other than the Company and the Investment Adviser in connection with this Report and shall not be in any way liable to any third party who relies upon any information set out in this Report. In particular, this Report should not be

construed as providing investment advice to potential investors in the Company and we owe no duty of care to any potential investor in the Company for any reliance it chooses to place on this Report.

Attention is drawn to the fact that this Report was prepared in accordance with the limited scope instructions of the Company and the Investment Adviser, and as such this Report is not designed to address all matters in which persons reading the Admission Document may be interested.

This Report was based on information provided to us by or on behalf of the directors of Usaciga and we were under no duty to, and did not, verify such information. We have relied upon such information being complete and accurate in all material respects in preparing this Report.

Valuation methodology

The Valuation has been based on the discounted cash flows (DCF) methodology. The DCF approach involves projecting future cash flows and discounting them to a net present value (NPV) using a discount rate that reflects the risks associated with the cash flow stream. The cash flows, together with a terminal value, provide a total value of the business.

The inherent risks of the DCF approach are that it requires the generation of detailed medium to long term cash flow projections and the calculation of an appropriate risk-adjusted discount rate, both of which may require considerable judgement. In addition, NPV values are typically extremely sensitive to relatively small changes in the underlying assumptions and the discount rate.

The DCF approach is commonly used to value start-up businesses, businesses with variable earnings, businesses with large capital expenditure requirements or "process-based" businesses where cash flows can be readily determined e.g. mining, agricultural and certain manufacturing businesses.

Given the nature of Usaciga's current operations and proposed new business activities, the use of the DCF approach in determining value is considered appropriate. The valuation impact of variable earnings and large up-front capital expenditure requirements may not be adequately captured by other valuation techniques such as the earnings multiple methodology.

This approach is consistent with the Guidelines which state that the key criteria in selecting a suitable valuation methodology is that it is appropriate in light of the nature, facts and circumstances of the entity to be valued.

DCF application

The valuation has been based on 10.5 year cash flow projections for the Existing Usaciga Business, Santa Mônica and Eldorado. We note that the cash flows for the Existing Usaciga Business incorporate synergy cost savings from the other Usaciga assets as identified in Section 4.4 of Part I of the Admission Document

The cash flows are real (i.e. exclude inflation) and represent cash flows before financing costs. These have been discounted at a rate (in real terms) in the range of:

- 10.97 per cent to 14.97 per cent for the Existing Usaciga Business; and
- 14.27 per cent to 18.27 per cent for Santa Mônica and Eldorado.

The discount rate range reflects the uncertainty or "riskiness" of achieving the cash flow projections. A premium of 30 per cent is applied to the discount rate range used for Santa Mônica and Eldorado to estimate the greater level of uncertainty associated with greenfield projects.

Conclusion

We consider the methodology used for the Valuation to be in accordance with the Guidelines.

Our testing did not identify any arithmetical errors in the application of the methodology to the financial information underlying the Valuation.

Yours faithfully

Smith & Williamson Limited

PART V

ACCOUNTANTS' REPORT ON THE COMPANY

KPMG LLP
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Clean Energy Brazil plc
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

13 December 2006

Dear Sirs

Clean Energy Brazil plc (the "Company")

We report on the financial information set out on pages 58 to 65. This financial information has been prepared for inclusion in the AIM admission document dated 13 December 2006 (the "Admission Document") of the Company on the basis of the accounting policies set out in note 2. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 1 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

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

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

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the dates stated and of its result, cash flows and recognised income and expense for the periods then ended in accordance with the basis of preparation set out in note 1.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

KPMG LLP

Historical financial information on Clean Energy Brazil Plc for the period from incorporation to 30 September 2006.

The financial information set out below of Clean Energy Brazil Plc ("the Company") for the period ended 30 September 2006 has been prepared by the Directors of the Company on the basis of preparation set out in note 1.

Income statement
for the period from incorporation to 30 September 2006

	Note	*12 day period to 30 September 2006 Total US$000*
Gross result		—
Administrative expenses		—
Operating result	2,3	—
Result before tax		—
Taxation		—
Result after tax		—
Result for the period		—

The results above relate to continuing operations.

Statement of recognised income and expense
for the period to 30 September 2006

	12 day period to 30 September 2006 US$000
Result for the period	—
Total recognised income and expense for the period	—

Balance sheet
at 30 September 2006

	Note	*30 September 2006 US$000*
Current assets		—
Total assets		—
Liabilities		
Total current liabilities		—
Total non-current liabilities		—
Total liabilities		—
Net assets		—
Total equity	4	—

Cash flow statement
for the period to 30 September 2006

	12 day period to 30 September 2006 US$000
Cash flows from operating activities	
Result for the period	—
Operating result before changes in working capital and provisions	—
Cash from/(used in) operations	—
Tax Paid	—
Net cash from/(used in) operating activities	—
Cash flows used in investing activities	—
Net cash used in investing activities	—
Cash flows from/(used in) financing activities	—
Net cash from financing activities	—
Net increase in cash and cash equivalents	—
Cash and cash equivalents at 19 September 2006	—
Cash and cash equivalents at 30 September 2006	—

Notes
(forming part of the financial statements)

1 General Information

Clean Energy Brazil Plc (the "Company") is a company incorporated in the Isle of Man on 19 September 2006.

The Company is an investment holding company, which had not commenced operations as at 30 September 2006.

The financial information has been prepared for the purpose of inclusion in this Admission Document.

Basis of preparation

Clean Energy Brazil Plc has prepared this financial information for the 12 day period from incorporation of the Company on 19 September 2006 to 30 September 2006. The financial information complies with International Financial Reporting Standards adopted for use in the European Union ("Adopted IFRSs") and is presented in US dollars, the functional currency of the Company.

Judgements and estimates

The preparation of financial statements in conformity with Adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2 Summary of significant accounting policies

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Trade and other receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

Trade and other payables

Trade payables are stated at amortised cost. Trade payables are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Net financing costs

Net financing costs comprise interest payable, finance charges on shares classified as liabilities and finance leases, interest receivable on funds invested and dividend income.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Taxation

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Segment Reporting

A segment is a distinguishable component of the Company that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. At this time the Company has only one segment which is investing in Brazil's sugar and ethanol industry.

3 Expenses and auditors' remuneration

The Company had no employees.

4 Capital and reserves

Reconciliation of movement in equity

	Share capital US$000	*Share premium US$000*	*Retained earnings US$000*	*Total equity US$000*
Balance at 19 September 2006	—	—	—	—
Issued upon incorporation share capital	—	—	—	—
Total recognised income and expense	—	—	—	—
Balance at 30 September 2006	—	—	—	—

Share capital

Number of shares	*Number of shares Ordinary shares 30 September 2006*
As at 19 September 2006	—
Issued upon incorporation	2
Issued in the period	
As at 30 September 2006	2

	30 September 2006 $
Authorised	
200,000 Ordinary shares of £0.01 each	3,745
Allotted, called up and fully paid	
2 Ordinary shares of £0.01 each	$0.04
Shares classified in shareholders' funds	$0.04

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

5 Related parties

The Company has entered into an Administration Agreement, which is a related party by virtue of the fact that Philip Scales is a director of the Administrator, and an Investment Advisory Agreement, which is a related agreement by virtue of the fact that Marcelo Junqueira is a director of Temple Capital Partners Limited. The investment in Temple Capital Partners Limited, detailed in note 7, is a related party transaction owing to the common director.

6 Commitments and contingent liabilities

Future costs amounting to approximately £2,500,000 are contingent upon the successful completion of the placing of this company.

The Company has agreed to pay £85,000 per annum to IOMA Fund and Investment Services Limited (related parties due to common directors) as consideration for administrative services provided to the Company under an Administration Agreement. An initial one-off fee of £10,000 is also payable under the terms of the agreement.

On 13 December 2006, the Company entered into a placing agreement with Numis Securities Limited to act as placing agent of the Company, who will use its reasonable endeavours to procure subscribers.

The placing agent will receive a commission aggregating 4.75 per cent of the aggregate value of the Placing Price of the securities, including a corporate finance fee of £750,000.

Smith & Williamson acting as the Company's Nominated Adviser will receive corporate finance fees of £200,000.

Each of the directors has entered into an agreement with the Company providing for them to act as a non-executive director of the Company. The aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses) under such agreements is expected to be £235,000 per annum.

On 13 December 2006, Clean Energy Brazil Limited ("CEB Cayman") entered into an Investment Advisory Agreement with Temple Capital Partners Limited ("TCP", a related party owing to common directors). Pursuant to the agreement TCP agreed to provide investment opportunities, recommendations and carry out the acquisition of investments on behalf of the Company. TCP will receive a management fee of 2 per cent per annum of the amount invested plus 0.5 per cent of any cash retained by the Company. The management fee will be paid quarterly in advance and TCP will also have the right to reimbursement of its expenses. The agreement is for an initial term of ten years with a right to extend on 12 month notice periods thereafter. The agreement is subject to certain early termination rights. TCP is entitled to a carried interest subject to meeting minimum return. The hurdle is 8 per cent IRR and if exceeded TCP is entitled to receive a profit share of 20 per cent of the gain generated by the Company.

The investment agreement (the "Investment Agreement") dated 12 November 2006 is made between CEB Cayman, certain members of the Baréa family and Usaciga. Under the terms of the Investment Agreement, a subsidiary of the Company will acquire 49 per cent of Usaciga for US$137.4 million. Completion of the Investment Agreement is conditional on admission of the Company to AIM and the obtaining of or waiver by CEB Cayman of certain consents.

7 Post Balance Sheet Events

On 3 November 2006, the Company acquired the entire share capital of CEB Cayman, a newly incorporated Cayman Island company.

On 3 November 2006, CEB Cayman acquired the entire share capital of CEB Unicorn S.A.R.L. ("CEB Unicorn") (a newly incorporated Luxembourg Company) for a consideration of 25 Euros.

On 21 November 2006, CEB Unicorn acquired the entire share capital of CEB Alpha Participacoes Ltda ("CEB Alpha") (a newly incorporated Brazilian Company) for a consideration of RS10,000.

On 28 November 2006, CEB Alpha acquired the entire share capital of CEB Beta Participacoes Ltda (a newly incorporated Brazilian Company) for a consideration of RS10,000.

On 12 December 2006, the Company subscribed for 180,000 B shares ("Temple Placing Shares") of US$0.001 each in the capital of Temple Capital Partners Limited at par. The Temple Placing Shares will be transferred to the placees under the terms of the Placing.

PART VI

ADDITIONAL INFORMATION

1 Responsibility statement

1.1 The Directors, whose names, functions and addresses appear on page 4 of this document, and the Company, accept individual and collective responsibility for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge 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.

1.2 Smith & Williamson Limited, whose registered office is at 25 Moorgate, London EC2R 6AY, accepts responsibility for the information contained in Part IV of this document. To the best of the knowledge of Smith & Williamson Limited (which has taken all reasonable care to ensure that such is the case) the information contained in Part IV of this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2 The Company

2.1 ***Incorporation***

2.1.1 The Company was incorporated on 19 September 2006 in the Isle of Man and registered under the Companies Acts as a public company limited by shares with registered number 117766C and with the name Clean Energy Brazil plc.

2.1.2 The principal legislation under which the Company was formed and now operates is the Companies Acts and regulations made under the Companies Acts. The Company is resident in the Isle of Man.

2.1.3 The address and telephone number of the registered office of the Company is IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP, +44 1624 681250.

2.2 ***The Group and principal activities***

2.2.1 The Company's principal activity is that of a holding company. It is the ultimate parent company of the group comprising the Company and the subsidiaries set out in paragraph 2.2.2.

2.2.2 The Company is the holding company of the Group and currently has the following subsidiaries within the meaning of section 258 of the English Act:

Name	*Country of incorporation or residence and registered office*	*Field of activity*	*Proportion of capital held by the Company and (if different) proportion of voting power held* %
Clean Energy Brazil Limited	Queensgate House South Church Street PO Box 1234 Grand Cayman KY1-1108 Cayman islands	Intermediate Holding Company	100
CEB Unicorn S.A.R.L.	Rue Guillauma Kroll L-1882 Luxembourg	Intermediate Holding Company	100
CEB Alpha Participaçõ̃es Ltda	Brazil Av. Brigadeiro Faria Lima, 3729-2nd Floor 04538-905, Saõ Paulo-SP	Intermediate Holding Company	100
CEB Beta Participaçõ̃es Ltda	Brazil Av. Brigadeiro Faria Lima, 3729-2nd Floor 04538-905, Saõ Paulo-SP	Intermediate Holding Company	100

2.2.3 The subsidiaries set out in paragraph 2.2.2 are directly or indirectly owned by the Company.

3 Share and loan capital

3.1 The Company was incorporated with an authorised share capital of £2,000 divided into 200,000 ordinary shares of £0.01 each.

3.2 The following changes in the authorised and issued share capital of the Company have occurred between its incorporation on 19 September 2006 and 12 December (being the most recent practicable date before publication of this document):

3.2.1 on incorporation, 2 Ordinary Shares were allotted and issued at a price of £0.01 each;

3.2.2 By a special resolution passed on 4 December 2006 it was resolved that:

3.2.2.1 the Company increase its share capital by the addition of £5,998,000 divided into 599,800,000 ordinary shares of £0.01 each, to rank *pari passu* with the existing issued and unissued share capital of the Company;

3.2.2.2 the directors of the Company be generally and unconditionally authorised to allot Relevant Securities (as defined in the Articles) up to a maximum aggregate nominal amount of £6,000,000, such authority to expire on the earlier of the next annual general meeting of the Company and the date which is eighteen months after the date on which the resolution is passed but so that the Company may, before the authority expires, make an offer or agreement which would or might require Relevant Securities to be allotted after the expiry of this authority and the directors of the Company may allot Relevant Securities pursuant to such an offer or agreement as if this authority had not expired;

3.2.2.3 the directors of the Company be authorised to allot Ordinary Shares for cash as if the pre-emption provisions of the Articles did not apply, provided that the power shall be limited to the allotment of:

(a) the Placing Shares;

(b) Ordinary Shares pursuant to the exercise of Warrants;

(c) Ordinary Shares in connection with a rights issue; and

(d) Ordinary Shares up to an aggregate nominal amount of £4,125,000;

3.2.2.4 the Company be authorised for the purposes of section 13 of the Companies Act 1992 to make market purchases (as defined in Section 13(2) of the said Act) of Ordinary Shares provided that:

(a) the maximum number of Ordinary Shares hereby authorised to be purchased is 10 per cent of the Company's issued share capital immediately following the issue of the Placing Shares;

(b) the minimum price which may be paid for such Ordinary Shares is the nominal amount thereof;

(c) the maximum price (exclusive of expenses) which may be paid for such Ordinary Shares shall be 5 per cent above the average of the middle market quotations taken from the AIM appendix to the Daily Official List of the London Stock Exchange for the five business days before the purchase is made;

(d) the authority shall (unless previously renewed or revoked) expire on the earlier of the next annual general meeting of the Company and the date which is eighteen months after the date on which the resolution is passed;

(e) the Company may make a contract to purchase its own 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 its own Ordinary Shares in pursuance of any such contract;

3.2.2.5 subject to the confirmation of the Isle of Man High Court in accordance with section 56 of the Companies Act 1931, all amounts standing to the credit of the share premium account of the Company immediately following the closing of the Placing be cancelled and reclassified as a distributable reserve of the Company.

3.2.3 on 13 December 2006, the Company created the Warrants by entering into the Warrant Instrument.

3.3 The Articles specify that unissued shares are at the disposal of the Directors who may allot, grant options over, offer or otherwise deal with or dispose of them to such persons at such times and generally on such terms and conditions as they may determine, provided that the Directors shall not exercise any power to allot any shares in the Company or any right to subscribe for or convert any security into shares in the Company unless they are authorised to do so by a resolution of the members of the Company in general meeting. In addition, the Articles contain pre-emption rights which, unless disapplied by special resolution, require shares proposed to be issued for cash, to be offered first to members who the Directors determine can be offered shares without the Company incurring securities offering compliance costs which, in the option of the Directors, would be burdensome. Any pre-emption offer shall be made in writing to the relevant members in proportion to that existing holdings of shares; such members have 14 days to determine whether or not to accept the offer. The Directors may dispose of shares which are not taken up by members as they think fit provided that such disposal is not on more favourable terms. The pre-emption provisions contained in the Articles do not, for the avoidance of doubt, extend to shares issued for non-cash consideration.

The Directors have, following the passing of the resolution referred to in paragraph 3.2.2 above, authority to issue certain Ordinary Shares other than on a pre-emptive basis, in connection with the Placing, upon the exercise of Warrants.

3.4 Up to 100,000,000 new Ordinary Shares are to be allotted and issued pursuant to the Placing. The legislation under which the Placing Shares will be created is the Companies Acts and regulations made under the Companies Acts. The Placing Shares are denominated in sterling. It is expected that they will be allotted on 13 December 2006, conditional only on Admission taking place, and issued on Admission, which is expected to be on 18 December 2006. When admitted to trading on AIM, the Ordinary Shares will be registered with ISIN IM00B1FPZP63, and the Warrants will be registered with ISIN IM00B1HC5990 and the Company's stock exchange symbol will be CEB and the Warrants' stock exchange symbol will be CEBW.

3.5 At the date of this document the authorised and issued fully paid share capital of the Company is:

		Authorised		*Issued (fully paid)*	
Class of shares	*Nominal value*	*£*	*no*	*£*	*no*
Ordinary Shares	£0.01	6,000,000	600,000,000	£0.02	2

3.6 The authorised and issued fully paid share capital of the Company immediately following Admission will be as follows:

		Authorised		*Issued (fully paid)*	
Class of shares	*Nominal value*	*£*	*no*	*£*	*no*
Ordinary Shares	£0.01	6,000,000	600,000,000	1,000,000	100,000,000

3.7 The following table shows the issued share capital of the Company as at its incorporation and the end of the period covered by the accounts contained in Part V:

As at 19 September 2006 Issued		*As at 30 September 2006 Issued*	
Nominal value	*Number*	*Nominal value*	*Number*
£0.01	2	£0.01	2

None of the capital of the Company has been paid for with assets other than cash within the period covered by the historical financial information.

3.8 The authorised but unissued share capital of the Company immediately following Admission will be £5,000,000 representing approximately 83 per cent of the authorised share capital.

3.9 Other than the issue of Ordinary Shares pursuant to the Placing and the Warrants, the Company has no present intention to issue any of the authorised but unissued share capital of the Company.

3.10 The Company does not have in issue any securities not representing share capital.

3.11 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

3.12 Save as disclosed in this paragraph 3, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the Placing) no such issues are proposed.

3.13 No commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.

3.14 Save as disclosed in this paragraph 3, no share or loan capital of the Company or any other member of the Group is under option or has been agreed conditionally or unconditionally to be put under option.

3.15 Other than pursuant to the Placing, none of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.

3.16 The Placing Shares will be in registered form. No temporary documents of title will be issued and prior to the issue of definitive certificates, transfers will be certified against the register. It is expected that definitive share certificates for the Placing Shares not to be held through CREST will be posted to allottees by 2 January 2007. Placing Shares to be held through CREST will be credited to CREST accounts on Admission. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and otherwise than by a written instrument. The Company's new articles of association, which have been adopted (conditional on Admission), permit the holding of Ordinary Shares in CREST.

3.17 The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including (without limitation to the generality of the foregoing) in relation to voting rights and the right to receive all dividends or other distributions declared, paid or made after Admission.

3.18 Other than the Warrants, there are no outstanding convertible securities, exchange securities or securities with warrants issued by the Company.

4 Memorandum and articles of association

4.1 *Memorandum of Association*

The Companies Act 1986 (the "1986 Act") of the Isle of Man removed the need for the objects of a company incorporated in the Isle of Man after 1 June 1988 to be set out in the Memorandum of Association of the company, by providing that the company has, subject to the 1986 Act, the capacity and the rights, powers and privileges of an individual. As the Company is a company which was incorporated in the Isle of Man after 1 June 1988, the objects of the Company are not set out in its Memorandum of Association but, pursuant to the 1986 Act, the Company has the capacity and, subject to the 1986 Act, the rights, powers and privileges of an individual.

The Memorandum of Association of the Company does not set out any restrictions on the exercise of the rights, powers and privileges of the Company.

4.2 ***Articles of Association***

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

4.2.1 *Board of Directors*

Number of Directors

The number of directors (other than any alternate directors) shall be not less than two or more than ten (unless otherwise determined by the Company by ordinary resolution). A majority of the directors must be resident outside the United Kingdom.

Power of Company to appoint Directors

The Company may appoint a person who is willing to act to be a director by ordinary resolution, but the total number of directors shall not exceed ten.

Power of Board to appoint Directors

The Board shall have the power at any time to appoint any person who is willing to act as a director but the total number of directors shall not exceed ten. Any director so appointed shall hold office only until the annual general meeting of the Company next following such appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation at that meeting. If not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof.

Appointment of executive directors

Subject to the provisions of the Companies Acts, the Board may from time to time appoint one or more of its members to hold any employment or executive office for such term and subject to such other conditions as the Board thinks fit provided that no person who is resident in the United Kingdom may be so appointed.

Eligibility of new directors

No person, other than a director retiring, shall be appointed or reappointed a director at any General Meeting unless:

(a) he is recommended by the Board; or

(b) notice has been given to the Company not less than seven nor more than thirty-five clear days before the date appointed for the meeting by a member who is qualified to vote at the meeting stating the intention to propose that person for appointment or reappointment, stating in particular the information required to be included in the Company's register of directors together with written confirmation that that person is willing to be appointed or reappointed; and in either case, his appointment would not result in the majority of the Board being resident in the United Kingdom.

Share qualification

A director shall not be required to hold any shares in the Company.

Retirement by rotation

At each Annual General Meeting one third of the directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one third) shall retire from office by rotation. The retiring directors shall be eligible for re-election.

Removal by ordinary resolution

In addition to any power of removal conferred by the Companies Acts, the Company may remove any director before the expiration of his period of office (without prejudice to any claim for damages which he may have), and may appoint another person who is willing to act to be a director in his place by ordinary resolution.

Vacation of office by director

Without prejudice to the provisions for retirement contained in the Articles, the office of the director shall be vacated if:

(a) he resigns by notice in writing to the company secretary at the registered office of the Company or tendered at a Board meeting; or

(b) he ceases to be a director by any virtue of any provision of the Companies Acts, is removed from office pursuant to the Articles or becomes prohibited by law from being a director; or

(c) he becomes bankrupt, has an interim receiving order made against him, makes any arrangements or compounds to his creditors generally; or

(d) an order is made by any court of competent jurisdiction on the ground of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his property or affairs or he is admitted to hospital in pursuance of an application for admission for treatment and the Board resolves that his office be vacated; or

(e) he shall be absent from Board meetings for six consecutive months (whether or not an alternative director appointed by him attends) without the permission of the Board, and the Board resolves that his office be vacated; or

(f) all the directors, other than the director in question, determine in writing that he should vacate the office of director; or

(g) if he is convicted of an indictable offence and the directors shall resolve that it is undesirable in the interests of the Company that he remains a director of the Company; or

(h) the conduct of that Director (whether or not concerning the affairs of the Company) is the subject of either (i) an application by the Treasury pursuant to section 26 of the Companies Act 1992 to the Isle of Man High Court or (ii) an investigation by the police of any jurisdiction and the Board shall resolve that it is undesirable that he remains a Director; or

(i) notice is given to terminate his contract of employment or engagement with the Company where he is in breach of such contract; or

(j) he has been disqualified from acting as a director; or

(l) subsequent to his appointment he becomes resident in the United Kingdom and as a result thereof the majority of the Directors are resident in the United Kingdom.

Appointments of alternate directors

Each director (other than an alternate director) may, by notice in writing delivered to the company secretary at the registered office of the Company or at a meeting of the directors or in any other manner approved by the Board, appoint any other director or any person approved for that purpose by the Board and willing to act, as his alternate.

Participation in Board meetings of alternate directors

Every alternate director shall be entitled to receive notice of all meetings at the Board and all committees of the Board of which his appointor is a member. If his appointor is absent from such meetings he shall be entitled to attend and vote at those meetings and to exercise all the powers, rights, duties and authorities of his appointor.

Interests of alternate directors

An alternate director shall be entitled to contract and be interested in and benefit from contracts or arrangements with the Company and to be repaid expenses and to be indemnified to the same extent as if he were a director. An alternate director shall not, unless the Company by ordinary resolution otherwise determines, be entitled to receive from the Company any fees

for his services as alternate, except only such part (if any) of the fee payable to his appointor as his appointor may dictate by giving notice in writing to the Company.

Revocation of appointment

The alternate director shall cease to be an alternative director (a) if his appointor revokes his appointment; or (b) if his appointor ceases to be a director; or (c) if any events happen in relation to him which, if he were a director, would cause him to vacate office.

Directors fees

The directors (other than alternate directors) shall be entitled to receive by way of fees for their services as directors such sum as the Board may from time to time determine provided that such sum shall not exceed in the aggregate £250,000 per annum (or such other sum as the Company in general meeting shall from time to time determine). Such sum shall be divided among the directors in such proportions and in such manner as the Board may determine. Any fees shall be distinct from any salary, remuneration or other amounts payable to a director.

If by arrangement with the Board any Director shall perform or render any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office (including, without limitation, acting as chairman of any audit committee of the Company), he may be paid such reasonable additional remuneration (whether by way of a lump sum or by way of salary, commission, participation in profits or otherwise) as the Board may from time to time determine.

Expenses

Each director shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in or about the performance of his duties as director.

Remuneration of executive directors

The salary or remuneration of any director appointed to hold any employment or executive office may be a fixed sum of money or may be governed by business done or profits made or otherwise determined by the Board. The said remuneration may be in addition to or in lieu of any fee payable to him for his services as director.

Pensions and other benefits

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (whether by insurance or otherwise) for, or to institute and maintain any institution, association, society, club, trust, other establishment or profit sharing, share incentive, share purchase or employees share scheme calculated to advance the interest of the Company or to benefit, any person who is or has at any time been a director of the Company or any company which is a holding company or a subsidiary of or allied to or associated with the Company or any such holding company or subsidiary or any predecessor in business of the Company or of any such holding company or subsidiary, and for any member of his family and any person who is or was dependent on him.

Any director or former director shall be entitled to receive and retain for his own benefit any pension or other benefit provided under the above paragraph and shall not be obliged to account for it to the Company.

Powers of the Board

The management of the Company shall be in and from the Isle of Man or such other place outside the United Kingdom as the Board may determine.

Subject to the provisions of the Companies Acts, the memorandum of association of the Company and the Articles and to any directions given by special resolution of the Company, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company whether relating to management of the business or not.

Powers of executive directors

The Board may from time to time delegate or entrust to and confer on any director holding executive office and who is not resident in the United Kingdom such of its powers, authorities and discretions for such time, on such terms and subject to such conditions that it thinks fit and the Board may revoke, withdraw, alter or vary order of any such powers.

Delegation to committees

The Board may delegate any of it powers, authorities and discretions for such time on such terms and subject to such conditions that it thinks fit to any committee consisting of one or more directors and (if thought fit) one or more other persons provided that a majority of the members of the committee shall be directors or alternate directors who are not resident in the United Kingdom, no resolution of a committee shall be effective unless a majority of those present when it is passed are directors or alternate directors who are not located in the United Kingdom and any such committee shall meet and exercise its powers, authorities and discretions from outside the United Kingdom.

Local management

The Board may establish any local group or divisional boards or agencies for managing any of the affairs of the Company in any specified locality, either in the Isle of Man or elsewhere outside the United Kingdom, and may appoint any persons to be members of such local or divisional board, or any managers or agents, may fix their remuneration and remove any person so appointed. The Board may delegate to any local group or divisional board, manager or agent so appointed any of its powers, authorities and discretions and may authorise the members for the time being of any such local or divisional board or any of them, to fill any vacancies and to act notwithstanding vacancies.

Exercise of voting power

The Board may exercise or cause to be exercise the voting power conferred by the shares in any other company held or owned by the Company, or any power of appointment to be exercised by the Company, in such manner or in all respects as it thinks fit.

Borrowing powers

Subject to the provisions of the Companies Acts and the Articles, the Board may exercise all the powers of the Company to borrow money, to give guarantees, to indemnify, to mortgage, hypothecate, pledge or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to create and issue debenture and other securities.

Borrowings by the Company owing to any persons outside the Group shall not at any time, without the previous sanction of an ordinary resolution of the Company exceed two times the aggregate of:

(a) the amount paid up on the issued share capital for the time being of the Company;

(b) the total of capital and revenue reserves (including any share premium account, capital redemption reserve, all shown in the latest balance sheet of the Company).

Board meetings

Subject to the provisions of the Articles, the Board may meet, adjourn and otherwise regulate its proceedings as it thinks fit. No Board meeting shall be held in the United Kingdom.

Notice of Board meetings

One director may, and the company secretary at the request of a director shall, summon a Board meeting at any time on reasonable notice. Notice of a Board meeting shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in

writing to him at his last known address or any other address given by him to the Company for that purpose.

Quorum

The quorum necessary for the transaction of business may be determined by the Board and until otherwise determined shall be two persons, each being a director or an alternate director, provided that, if the majority of the directors present are present in the United Kingdom, the directors present (irrespective at their number) shall not constitute a quorum.

Chairman of the Board

The Board may appoint one or more of its body who is not resident in the United Kingdom as chairman, joint chairman or deputy chairman of its meetings and may determine the period for which he is or they are to hold office and may at any time remove him or them from office. If no such chairman or deputy chairman is elected, or if at any meeting neither a chairman nor a deputy chairman is present within fifteen minutes of the time appointed for holding the same, the directors present shall choose one of their number who is not present in the UK to be chairman at such meeting.

Voting

The questions arising at any meeting shall be determined by majority of votes. In the case of an equality of votes the chairman of that meeting shall not have a second or casting vote.

Participation by telephone or facsimile

Any director or member of the committee of the directors may participate in a meeting of the directors or such committee by means of telephonic of similar communications equipment whereby all persons participating in the meeting can hear and speak to each other and participating in a meeting in this manner shall be deemed to constitute being present in person at such meeting and any such persons shall be counted in the quorum. The location of such a telephonic meeting shall be in such place as where the chairman of the meeting is located but at no time shall the majority of the directors or the chairman of the meeting be located in the United Kingdom.

A resolution passed at any meeting held in the above manner, and signed by the chairman of the meeting shall be as valid and effectual as if it had been passed at the meeting of the Board (or committee, as the case may be) duly convened and held.

Resolution in writing

A resolution in writing executed by all of the directors for the time being entitled to receive notice of a Board meeting and not being less than a quorum, or by all the members of the Board for the time being entitled to receive notice of such committee meeting and not being less than a quorum of that committee, shall be as valid and effective for all purposes as a resolution duly passed at the meeting of the Board (or committee, as the case may be).

Minutes of proceedings

The Board shall cause minutes to be made in books kept for that purpose recording evidence of the matters discussed and resolved upon at meetings.

Validity of proceedings

All acts done by a meeting of the Board, or of a committee of the Board, or by any person acting as a director, alternate director or member of a committee shall be valid.

Director may have interests

Subject to section 148 of the Isle of Man Companies Act 1931, and provided that such interests are disclosed to the Board in accordance with the Articles, a director, notwithstanding his office:

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

(b) may hold any other office or place a profit under the Company (except that of auditor or of auditor of a subsidiary of the Company) in conjunction with the office of director or may act by himself or through his firm in a professional capacity for the Company;

(c) may be a director or other officer of, or employed by, or party to any transaction or arrangement with or otherwise interested in, any company promoted by or promoting the Company or in which the Company is otherwise interested or as regards which the Company has any powers of appointment; and

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

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

Disclosure of interests to the Board

A director who, to his knowledge, is interested in any contract, arrangement, transaction or proposal with the Company shall declare the nature of his interests at the meeting of the Board at which the question of entering into the contract, arrangement, transaction or proposal is first considered, if he knows his interest then exists or, in any other case, at the first meeting of the Board after he knows that he is or has become so interested.

Interested director not to vote or count for quorum

Save as set out below, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract, arrangement, transaction or any other proposal whatsoever to which the Company is or is to be a party and in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the English Act) is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company, unless the resolution concerns any of the following matters:

(a) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;

(b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any subsidiary for which he himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(c) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiaries in which offer he is or may be entitled to participate as a holder of securities or any underwriting or sub-underwriting of which he is to participate;

(d) any proposal concerning any other body corporate in which he (together with persons connected to him within the meaning of section 346 of the English Act) does not to his knowledge have an interest in 1 per cent or more of the issued equity share capital of any class of such body corporate or of the voting rights available to members of such body corporate;

(e) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiaries which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or

(f) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of the persons who include directors.

Directors interest in his own appointment

A director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested.

Chairman's ruling conclusive on directors interest

If any question arises at any meeting as to the materiality of a director's interest (other than the chairman's interests) or as to the entitlement of any director (other than the chairman) to vote or be counted in the quorum, and such question is not resolved by his voluntarily agreeing to abstain from voting or being counted in the quorum, such question shall be referred to the chairman of the meeting. The chairman's ruling in relation to the director concerned should be final and conclusive.

In the event that the question arises concerning the chairman's interest and his ability to vote or be counted in the quorum, which is not resolved by his agreeing to abstain from voting or being counted in the quorum, such question shall be decided by the resolution of the directors or committee members present at the meeting.

Connected persons

An interest of any person who is for the purposes of section 346 of the English Act connected with the director shall be treated as an interest of the director.

Right to indemnity

Subject to the provisions of the Companies Acts, every director, alternate director, company secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, damages and liabilities incurred by him in the discharge of his duties or exercise of his powers or otherwise in relation thereto. The indemnity shall include any liability incurred in defending any proceedings (whether civil or criminal) which relate to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company, and in which judgment is given in his favour.

Power to insure

Subject to provisions of the Companies Acts, the Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a director or other officer or employee of the Company or of any other company which is a subsidiary or holding company of the Company or in which the Company has an interest whether direct or indirect or who is or was at any time a trustee of any pension fund or employee benefits trust in which any employee of the Company or of any such other company or subsidiary is or has been interested indemnifying such person against any liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been or omitted to be done as a director, officer, employee or trustee.

4.2.2 *Rights attaching to the Ordinary Shares*

(a) As to income

Declaration of dividends

Subject to the Articles, the Company may by ordinary resolution declare that, out of profits available for distribution in accordance with Isle of Man law, dividends be paid to Shareholders in accordance with the respective rights and interests in the profits of the Company available for distribution, and may fix the time for payment of such dividends but no dividend shall exceed the amount recommended by the Board. Any dividend declared shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may, if they think fit from time to time, declare and pay to the members such interim dividends (including any dividend payable at a fixed rate) as appear to the Directors to be

justified by the profits of the Company available for distribution in accordance with Isle of Man law. 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.

Calls or debts may be deducted from dividends

The Board may deduct from any dividend or any other money payable to any Shareholder on or in respect of a share all such sums as may be due from him to the Company in relation to the shares of the Company.

Distributions in specie

The Board may, with the authority of an ordinary resolution of the Company, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets.

Dividends not to bear interest

Unless otherwise provided by the rights attached to the share, no dividend or other monies payable by the Company shall bear interest as against the Company.

Method of payment

The Company may pay any dividend, interest or other sum payable in respect of a share in cash or by other method (including by electronic media and including, in respect of shares in uncertificated form, where the Company is properly authorised to do so, by means of a relevant system (subject always to the facilities and requirements of that relevant system)) as the Board may consider appropriate.

Every form of payment is sent at the risk of the person entitled to the money represented by it and shall be made payable to the person or persons entitled, or to such other person as the person or persons entitled may direct in writing.

The Board may, at its discretion, make provisions to enable any member as the Board shall from time to time determine to receive duly declared dividends in a currency or currencies other than sterling.

Uncashed dividends

If sums payable in respect of a share sent by the Company to the person entitled thereto are returned to the Company or left uncashed on two consecutive occasions or, following one occasion, reasonable enquires have failed to establish any new address to be used for the purpose, the Company shall not be obliged to send any further dividends or other monies payable in respect of that share due to that person until he notifies the Company of an address to be used for the purpose.

Unclaimed dividends

All dividends, interests or other sum payable and unclaimed for twelve months after having become payable may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed for a period of twelve years after having been declared or become due for payment shall, if the Board so resolves, be forfeited and so shall cease to remain owing by the Company.

(b) As to capital

Subject to the rights attached to any shares which may be issued on special terms, if the Company is wound up, the surplus assets available after payment of all creditors shall be divided amongst the members in proportion to the capital paid up on the shares held by them.

On a winding up the liquidator may, with the authority of an extraordinary resolution and any other sanction required by Isle of Man law: (i) divide among the members *in specie* the whole or any part of the assets of the Company and may for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members, but if any division is resolved otherwise than in accordance with such rights, the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 222 of the Isle of Man Companies Act 1931; and the liquidator may (ii) vest the whole or any part of the assets in trustees on such trusts for the benefit of members as the liquidator, with the like authority, shall think fit but so that no member shall be compelled to accept any assets in respect of which there is any liability.

(c) As to voting

Subject to the Articles and to any special rights or restrictions as to voting for the time being attached to any class of shares in the Company, on a show of hands every member present in person shall have one vote and on a poll every member present in person (or, being a corporation, by representative) or by proxy shall have one vote for every share held by him. A member present by proxy shall not be deemed to be present in person.

Unless the Board otherwise determines, no member shall be entitled to vote at any general meeting either personally or (save as proxy for another member) by proxy or (if the member is a corporation) by authorised representative, or be reckoned in a quorum, in respect of any share held by him or to exercise any right as a Shareholder if any call or other sum (including interest and expenses (if any)) presently payable by him to the Company in respect that share remains unpaid.

Power to attach rights

Subject to the provisions of the Companies Acts and to any special rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions whether in regard to dividend, voting, transfer, return of capital or otherwise, as the Company may from time to time by special resolution determine or, if no such resolution has been passed or so far as the resolution does not make a specific provision, as the Board may determine.

(d) Variation of rights

Sanction to variation

Subject to the provisions of the Companies Acts, if at any time the share capital of the Company is divided into shares in different classes, any of the rights for the time being attached to any share or class of shares in the Company may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holder of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class duly convened and held.

Class meetings

All the provisions in the Articles as to general meetings shall apply *mutatis mutandis* to every meeting of the holders of any class of shares. The Board may convene a meeting of the holders of any class of shares whenever it thinks fit and whether or not the business to be transacted involves a variation or abrogation of class rights. The quorum at every such meeting shall be not less than two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of that class. Every holder of shares in the class, present in person or by proxy, may demand a poll. Each such holder shall on a poll be entitled to one vote for every share of the class held by him. If at any adjourned meeting of such quorum as aforesaid is not present, not less than one person holding shares of the class who is present in person or by proxy shall be a quorum.

Deemed variation

Subject to the terms of issue, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority for the payment of a dividend or in respect of capital or howsoever or which confer on the holders voting rights more favourable than those conferred by such first mentioned shares but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Companies Acts and the Articles.

(e) Pre-emption rights

The Articles contain pre-emption provisions which are detailed in paragraph 3.3 above.

(f) Transfer of Shares

Form of transfer

Subject to the applicable restrictions in the Articles, each member may transfer all or any of his shares in the case of certificated shares by instrument of transfer in writing in any usual form or in any form approved by the Board, or in the case of uncertificated shares without a written instrument in accordance with the CREST Regulations through an uncertificated system in accordance with the regulations. Such instruments shall be executed by and on behalf of the transferor and (in the case of a transfer of a share which is not fully paid up) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the register in respect of it.

Right to refuse registration

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a certificated share (or renunciation of a renouncable letter of allotment) unless:

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

(b) it is in respect of a share upon which the Company has no lien;

(c) it is in respect of only one class of share;

(d) it is in favour of a single transferee or not more than four joint transferees;

(e) it is duly stamped (if so required); and

(f) it is delivered for registration to the registered office of the Company or such other place that the Board may from time to time determine, accompanied (except in the case of a transfer where a certificate has not been issued or in the case of a renunciation) by a certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor.

The Board shall not refuse to register any transfer or renunciation of shares which are traded on AIM in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.

The Board may also refuse to register a transfer if in their opinion (and with the concurrence of the UK Listing Authority or such other competent authority) exceptional circumstances so warrant.

No transfer of any share shall be made:

(a) to a minor; or

(b) to a bankrupt; or

(c) to any person who is, or may be, suffering from mental disorder and either:

(i) has been admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 (an Act of Parliament) or any similar

statute relating to mental health (whether in the United Kingdom, the Isle of Man or elsewhere); or

(ii) an order has been made by any court having jurisdiction (whether in the United Kingdom, the Isle of Man or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, *curator bonis* or other person to exercise powers with respect to his property or affairs;

and the Directors shall refuse to register the purported transfer of a share to any such person.

The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a Participating Security held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse (subject to any relevant requirements applicable to the recognised investment exchange(s) to which the shares of the Company are admitted) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.

If a member who appears to be interested in shares or is interested in shares and has received a direction notice in accordance with the Articles from the Company and has not responded, purports to transfer the shares, such transfer will not be registered.

Notice of refusal

If the Board refuses to register a transfer of a share, it shall, within two months after the date on which the transfer was lodged with the Company, sent notice of refusal to the transferee.

Closing of register

The registration of transfers of shares or of any class of shares may be suspended at such times and for such periods (not exceeding 30 days in any year) as the Board may from time to time determine.

Notice of closure of the register of members of the Company shall be given in accordance with the requirements of the Companies Acts.

4.2.3 *Annual and Extraordinary General Meetings*

Annual General Meetings

Subject to the provisions of the Companies Acts, annual general meetings should be held at such time and place as the Board may determine.

Extraordinary General Meetings

All general meetings, other than annual general meetings, shall be called extraordinary general meetings.

Convening Extraordinary General Meetings

The Board may convene an extraordinary general meeting whenever it thinks fit. At any meeting convened on such requisition (or any meeting requisitioned pursuant to section 113 of the Companies Act 1931) no business shall be transacted except that stated by the requisition proposed by the Board. If there are not within the Isle of Man sufficient members of the Board to convene a general meeting, any director or any member of the Company may call a general meeting.

Notice of General Meetings

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution shall be convened by not less than twenty-one clear days' notice in writing. All other extraordinary general meetings shall be convened by not less than fourteen clear days' notice in writing. Subject to the provisions of the Companies Acts, and notwithstanding that it is convened by shorter notice than that specified previously in this paragraph, a general meeting

shall be deemed to have been duly convened if it is so agreed by all the members entitled to attend and vote at the meeting.

The notice shall specify:

(a) whether the meeting is an annual general meeting or an extraordinary general meeting;

(b) the place, the day and the time of the meeting;

(c) in the case of special business, the general nature of that business;

(d) if the meeting is convened to consider a special or extraordinary resolution, the intention to propose the resolution of such; and

(e) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend, and, on a poll, vote instead of him and that a proxy need not also be a member.

Notice shall be given to the members who are entitled to receive notice from the Company, to the directors and to the auditors.

Omission to send notice

The accidental omission to send a notice of meeting or, in the cases where it is intended that it be sent out with the notice, an instrument of proxy to, or the non receipt of either by, any person entitled to receive the same shall not invalidate the proceedings of that meeting.

Special business

All business that is transacted at the general meeting shall be deemed special, except the following transactions at an annual general meeting:

(a) the declaration of dividends;

(b) the receipt and consideration of the annual accounts and reports of the directors and the auditors and any other document required to be annexed in the annual accounts;

(c) the election or re-election of directors;

(d) the fixing of directors' fees; and

(e) the reappointment of the auditors retiring and the fixing of the remuneration of the auditors or the determination of the manner in which such remuneration is to be fixed.

Quorum at General Meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business. Two persons entitled to attend and vote on the business to be transacted, each being a member present in person or by a proxy for a member or a duly authorised representative of a corporation which is a member, shall be a quorum.

If quorum not present

If within fifteen minutes (or such longer interval not exceeding one hour as the chairman in his absolute discretion thinks fit) from the time appointed for the holding of a general meeting a quorum is not present, or if during a meeting such quorum ceases to be present, the meeting, if convened on the requisition of members, shall be dissolved. In any other case, the meeting shall stand adjourned for the same day in the next week at the same time and place, or to be later on the same day or to such other day and at such time and place as the chairman may determine being not less than fourteen nor more than twenty-eight days thereafter. If at such adjourned general meeting a quorum is not present within fifteen minutes from the time appointed for the holding of the meeting, one person entitled to vote on the business to be transacted shall be a quorum.

Chairman

The chairman of the Board shall preside at every general meeting of the Company. If there be no such chairman or if at any meeting he shall not be present within fifteen minutes of the time appointed for holding the meeting or shall be unwilling to act as chairman, a deputy chairman (if any) of the Board shall, if present and willing to act, preside as chairman at such meeting. If no chairman or deputy chairman shall be so present and willing to act, the directors present shall choose one of their number to act as a chairman of the meeting. If there be no director present and willing to act, the members present who are entitled to vote shall choose one of their number to be chairman of the meeting. Directors and other persons may attend and speak. A director (and any other person invited by the chairman to do so) shall, notwithstanding that he is not a member of the Company, be entitled to attend and speak at any general meeting and any separate meeting of the holders of any class of shares of the Company.

Power to adjourn

A chairman may with the consent of the meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time (or indefinitely) and from place to place as he shall determine. The chairman may also, without the need for the consent of the meeting, interrupt or adjourn any meeting from time to time and from place to place or for an indefinite period if he is of the opinion that it has become necessary to do so in order to secure the proper and orderly conduct of the meeting or to give all persons entitled to do so a reasonable opportunity of attending, speaking and voting at the meeting or to ensure that the business of the meeting is properly disposed of.

Accommodation of members and security arrangements

The Board may, for the purpose of controlling the level of attendance and ensuring the safety of those attending at any place specified for the holding of the general meeting, from time to time make such arrangements as the Board shall in its absolute discretion consider to be appropriate and may from time to time vary any such arrangements or make new arrangements in place therefore.

In the case of any meeting to which such arrangements apply the Board may, when specifying the place of the meeting, direct that the meeting shall be held at the place specified in the notice and also make arrangement for simultaneous attendance and participation at other places by members otherwise entitled to attend the general meeting provided that the persons attending the place of the meeting presided over by the chairman and at any other places shall be able to see, hear and be seen and heard by, each other.

The Board may direct that any person wishing to attend any meeting should provide such evidence of identity and submit to such searches or other security arrangements or restrictions as the Board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to any meeting to any person who fails to provide such evidence or identity or submit to such searches or to otherwise comply with such security arrangements or restrictions.

Method of voting

At any general meeting a resolution put to a vote at the meeting shall be decided on a show of hands, unless (before or on the declaration of the result of the show of hands) a poll is duly demanded. Subject to the provisions of the Companies Acts, a poll may be demanded by:

(a) the chairman of the meeting; or

(b) by at least two members present in person or by proxy and entitled to vote at a meeting; or

(c) a member or members present in person or by proxy representing not less than one-tenth of the total voting rights of the members having a right to vote at the meeting; or

(d) a member or members present in person or by proxy holding shares conferring a right to vote at the meeting, being shares in which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Chairman's declaration conclusive on show of hands

Unless a poll is duly demanded and the demand is not withdrawn, a declaration by the chairman of the meeting as to the outcome of a resolution on a show of hands and an entry to that effect in the book containing the minutes and proceedings of the Company, shall be conclusive evidence of the outcome of such a vote.

Objection to error in voting

No objection shall be raised to the qualification of any voter or to the counting of, or failure to count, any vote, except at a meeting or adjourned meeting at which the vote objected to is given or tendered or at which the error occurs.

Procedure on a poll

Any poll duly demanded on the election of a chairman of a meeting or on any question of adjournment shall be taken forthwith. A poll duly demanded on any other matters shall be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded, as the chairman shall direct. No notice need be given of a poll not taken immediately if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In other cases at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken.

The demand for a poll (other than on the election of a chairman or any question of adjournment) shall not prevent the continuance of the meeting for the transaction of any business other than the question on which a poll has been demanded. On a poll votes may be given in person or by proxy.

Casting vote

In the case of an equality of vote, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes places or at which the poll was demanded shall be entitled to a second or casting vote in addition to any other vote he may have.

Voting by proxy

Any person (whether a member of the Company or not) may be appointed to act as a proxy. A deposit of an instrument of proxy shall not preclude a member from attending and voting in person at a meeting in respect of which the proxy is appointed or at any adjournment thereof.

Form of proxy

An instrument appointing a proxy shall:

(a) be in writing in any common form or in such other form as the Board may approve duly executed by the appointor;

(b) be deemed (subject to any contrary direction contained in the same) to confer authority to demand or join in demanding a poll and to vote on any resolution or amendment of the resolution put to the meeting for which it is given;

(c) unless the contrary is stated therein, be valid as well for any adjournment of the meeting and for the meeting to which it relates; and

(d) where it is stated to apply to more than one meeting be valid for all such meetings as well as for any adjournment of any such meeting.

Deposit of proxy

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a copy of such authority certified notarially or in some other way approved by the Board shall:

(a) be deposited at the Company's registered office or at such other place or places within the Isle of Man or elsewhere as is specified in the notice convening the meeting not less than forty-eight hours before the time of the holding of the meeting for which the person named in the instrument proposed to vote; or

(b) in a case of a poll taken more than forty-eight hours after it is demanded, be deposited after the poll has been demanded and not less than twenty-four hours before the time appointed for the taking of the poll; or

(c) in the case of an appointment contained in an Electronic Communication, where an address has been specified for the purpose of receiving Electronic Communications:

(i) in the notice convening the meeting; or

(ii) in any instrument of proxy sent out by the Company in relation to the meeting; or

(iii) in any invitation contained in an Electronic Communication to appoint a proxy issued by the Company in relation to the meeting;

be received at such address not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote; or

(d) where the poll is not taken forthwith but is taken more than forty-eight hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman of the meeting or to any director; and

an instrument of proxy not deposited, delivered or received in a manner so permitted shall be invalid. No instrument appointing a proxy shall be valid after the expiry of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or in a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within 12 months from such date.

Notwithstanding any other provision in the Articles, the Board may treat any such uncertificated proxy instruction which purports to be or is expressed to be sent on behalf of a holder of a share as sufficient evidence of the authority of the person sending that instruction to send it on behalf of the holder.

Uncertificated proxy instruction means a properly authenticated dematerialised instruction and/or other instruction or notification, which is sent by means of the relevant system concerned and received by such participant in that system acting on behalf of the Company as the Board may prescribe, in such form and subject to such terms and conditions as from time to time be prescribed by the Board (subject always to the facilities and requirements of the relevant system concerned).

More than one proxy may be appointed

A member may appoint more than one proxy to attend on the same occasion.

Revocation of proxy

A revocation of proxy for whatever reason must have been received by the Company at the registered office of the Company, or at such other place as has been appointed for the deposit of instruments of proxy, at least forty-eight hours before the commencement of the meeting or the taking of the poll at which the instrument of proxy is to be used in order to be effective.

Corporate representative

A corporation which is a member may, by resolution of its directors, or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares. A director, the company secretary or some other person authorised for the purpose by the company secretary may require the representative to produce a certified copy of the resolution so authorising him or such evidence of his authority reasonably satisfactory to them before permitting to exercise his power.

4.2.4 *Changes in share capital*

Increase, consolidation, cancellation and sub-division

The Company in general meeting may from time to time by ordinary resolution:

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

(b) consolidate and/or divide, re-designate or convert all or any of its share capital into shares of larger or smaller nominal amount, or into different classes of shares than its existing shares;

(c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and

(d) subject to the provisions of the Companies Acts, sub-divide shares or any of them into shares of a smaller nominal amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to unissued or new shares.

Reduction of Capital

Subject to provisions of the Companies Acts and to any rights for the time being attached to any shares, the Company may by special resolution reduce its share capital or any capital redemption reserve or share premium account in any way.

Purchase of own shares

Subject to the provisions of the Companies Acts and to any rights for the time being attached to any shares, the Company may purchase any of its own shares of any class, including any redeemable shares. Any shares to be so purchased may be selected in any manner whatsoever.

4.2.5 *Disclosure of shareholder ownership*

Individual and Group acquisitions

Every person who is or becomes aware that he is or has become interested in three per cent or more of the issued shares of any relevant class of the Company, is required to notify the Company of that fact by the second working day after the day on which it arises. Every person who ceases to be interested, or becomes aware that he has ceased to be interested, in three per cent or more of the shares for the time being in issue of any relevant class, shall be under obligation to give to the Company notice in writing of the fact. Where a person is to his knowledge, interested in three per cent or more of the shares for the time being in issue of any relevant class, and there occurs to his knowledge, or he becomes aware that there has occurred, a change in his percentage interest in the shares of that class for the time being in issue that person shall be under obligation to give to the Company notice in writing of the change.

The Directors have a duty, under the Articles to keep a register of substantial interests.

The Board may at any time serve a notice ("Information Notice") upon a member requiring the member to disclose to the Board in writing within such period (being no less than ten days and not more than thirty days) as may be specified in the notice, information relating to any beneficial interest of any third party or any other interest of any kind whatsoever which a third party may have in relation to any or all shares registered in the member's name. If a member has been issued with an Information Notice and has failed to furnish any information required by such notice within the time period specified therein, then the Board may at any time following fourteen days from the expiry of the date on which the information required to be furnished pursuant to the relevant Information Notice is due to be received by the Board, serve on the relevant holder a notice (in this paragraph called a "disenfranchisement notice") whereupon the following sanctions shall apply:

(a) *Voting*

The member shall not with effect from the service of the disenfranchisement notice be entitled to be present or to vote (either in person or by representative or proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares of the Company or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and

(b) *Dividends and transfers*

Where the member's shares represent at least 0.25 per cent in nominal value of their class:

(i) any dividend or other money payable in respect of the member's shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect pursuant to the Articles to receive shares instead of that dividend; and

(ii) subject in the case of uncertificated shares to the CREST Regulations, no transfer, other than an approved transfer, or any shares held by the member shall be registered unless the member is not himself in default as regards supplying the information required pursuant to the relevant Information Notice and the member provides to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

4.3 ***Mandatory takeover bids***

The City Code on Takeovers and Mergers (the "Code") applies to all takeover and merger transactions in relation to the Company, and operates principally to ensure that shareholders are treated fairly and are not denied an opportunity to decide on the merits of a takeover and that shareholders of the same class are afforded equivalent treatment. The Code provides an orderly framework within which takeovers are conducted. The Takeovers Directive was implemented in the UK in May 2006. The Directive applies to takeovers of companies registered in an EU member state and admitted to trading on a regulated market in the EU or EEA. Due to delays in passing the Company Law Reform Bill, the provisions have been implemented into law by means of the Takeovers Directive (Interim Implementation) Regulations 2006 (SI 2006/1183) (the "Regulations").

The UK takeover regime now consists of parallel regimes: a statutory regime governed by the Regulations under which the Panel is appointed as the supervisory body for listed companies (but not AIM companies) and a non-statutory code for other companies such as AIM companies.

The Code is based upon a number of General Principles which are essentially statements of standards of commercial behaviour. General Principle One states that all holders of securities of an offeree company of the same class must be afforded equivalent treatment and if a person acquires control of a company, the other holders of securities must be protected. This is reinforced by Rule 9 of the Code which requires a person, together with persons acting in concert with him, who acquires shares carrying voting rights which amount to 30 per cent or more of the voting rights to make a general offer. "Voting rights" for these purposes means all the voting rights attributable to

the share capital of a company which are currently exercisable at a general meeting. A general offer will also be required where a person who, together with persons acting in concert with him, holds not less than 30 per cent but not more than 50 per cent of the voting rights, acquires additional shares which increase his percentage of the voting rights. Unless the Panel consents, the offer must be made to all other shareholders, be in cash (or have a cash alternative) and cannot be conditional on anything other than the securing of acceptances which will result in the offeror and persons acting in concert with him holding shares carrying more than 50 per cent of the voting rights.

There are not in existence any current mandatory takeover bids in relation to the Company.

5 Summary of the Warrants

The Warrants will be constituted by the Warrant Instrument and the issue of Warrants will be authorised by resolutions of the Board or a duly appointed committee. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of, all the provisions contained in the Warrant Instrument, *inter alia*, to the following effect:

5.1 ***Subscription rights***

5.1.1 A Warrantholder shall have rights ("subscription rights") to subscribe in cash for one Ordinary Share in respect of each Warrant of which he is a holder at the price of £1.00 per Ordinary Share (the "exercise price") payable in full on subscription. Such rights are exercisable in whole or in part on any day during the period commencing on the admission of the Warrants to trading on AIM and ending on the fifth anniversary of that date (the "exercise period").

The number and/or the nominal value of Ordinary Shares to be subscribed and/or the exercise price will be subject to adjustment as described in paragraphs 5.2 and 5.4.2 below. Where a Warrantholder holds Warrants in both certificated and uncertificated form such holdings shall be treated as separate holdings for the purpose of calculating the number of additional Warrants to be issued to him unless the Company otherwise determines. Fractions of Warrants will not be allotted to Warrantholders. For the avoidance of doubt, unless the Company otherwise determines, or unless the CREST Regulations and/or the rules of the relevant system concerned otherwise require, any additional Warrants issued pursuant to an adjustment of subscription rights shall be issued in uncertificated form where they are issued to a holder of Warrants held in uncertificated form at the close of business on the date on which such additional Warrants are issued (or at such other time as the Board may, subject always to the facilities and requirements of the relevant system concerned, in its absolute discretion determine) (the "issue date") or in certificated form where they are issued to a holder of Warrants held in certificated form at the close of business on the issue date.

5.1.2 To exercise their subscription rights in whole or in part those Warrantholders holding Warrants in certificated form are to deliver the relevant Warrant certificates to the office of the registrars for the time being of the Company during the exercise period having completed the exercise notice ("Exercise Notice") set out in the Warrant certificate accompanied by a remittance for the full exercise price payable in respect of the subscription rights to be exercised. Once delivered, an Exercise Notice shall be irrevocable save with the consent of the Company.

5.1.3 Subscription rights conferred by Warrants held in uncertificated form shall be exercisable, in whole or in part, if a properly authenticated dematerialised instruction in such form and subject to such terms and conditions and having such effect as may be prescribed by or on behalf of the Company (subject to the facilities and requirements of the relevant system (as defined in the CREST Regulations) concerned) that is attributable to the system-member who is the holder of the Warrants concerned and/or such other instruction or notification as may from time to time be prescribed by the Company (which, once lodged, shall be irrevocable save with the consent of the Company) and the remittance in cleared funds for the full exercise price payable in respect of the subscription rights to be exercised are received by the Company or by such person as it may require. The Company may determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and remittance are to be treated as received (subject always to the facilities and requirements of the relevant system concerned).

Unless the Company otherwise determines, or the CREST Regulations and/or rules of the relevant system concerned otherwise require, on the exercise of subscription rights Ordinary Shares shall be issued (a) in uncertificated form where such subscription rights were conferred by Warrants held in uncertificated form on the date of notification of exercise; or (b) in certificated form where such subscription rights were conferred by Warrants held in certificated form on the date of the notification of exercise.

Whether Warrants are held in certificated form or uncertificated form on the exercise date shall be determined by reference to the register of Warrantholders as at the close of business on the relevant date or such other time as the Board may (subject to the facilities and requirements of the relevant system concerned) in its absolute discretion determine. Exercise of subscription rights must comply with applicable statutory and regulatory requirements.

5.1.4 As soon as practicable after the receipt of an Exercise Notice or a properly authenticated dematerialised instruction, the Company shall allot and issue to the Warrantholders who have served an Exercise Notice the Ordinary Shares to be issued pursuant to the exercise of the relevant subscription rights.

Certificates for such Ordinary Shares will be issued and despatched (at the risk of the person entitled thereto) not later than 28 days after such allotment. In the event of a partial exercise of the subscription rights comprised in such Warrants, the Company shall at the same time issue and despatch (at the risk of the person entitled thereto) a Warrant certificate in respect of the balance of subscription rights.

Ordinary Shares issued on the exercise of subscription rights conferred by Warrants held in uncertificated form will, unless the Company otherwise determines or the CREST Regulations and/or rules of the relevant system concerned otherwise require, be issued in uncertificated form and will be credited to the account of the person(s) in whose name(s) the Warrants concerned were registered at the date of such exercise (being an account maintained by the relevant system concerned under the same participant and member account identification codes as the account to which the Warrants concerned were credited immediately prior to such exercise).

5.1.5 Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, made or paid in respect of any financial year or other period ended prior to the relevant day on which such Warrants are exercised but subject thereto will rank in full for all dividends and other distributions in respect of the then current financial year (other than any distribution declared, made or paid for which the record date is a date prior to their allotment) and otherwise *pari passu* in all respects with the Ordinary Shares in issue at the date the subscription rights are exercised.

5.1.6 Application shall be made to AIM or such other relevant recognised investment exchange where the Company maintains a primary listing in respect of its ordinary share capital (if any) for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to AIM or such other recognised investment exchange and the Company will use all reasonable endeavours to obtain the relevant admission as soon as possible after the date the subscription rights are exercised.

5.2 ***Adjustment of subscription rights***

After any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) to holders of the Ordinary Shares on the register on a date (or by reference to a record date) during the exercise period or upon any sub-division or consolidation of the Ordinary Shares during the exercise period, the number and/or nominal value of Ordinary Shares to be subscribed on a subsequent exercise of the subscription rights will be increased or (as the case may be) reduced proportionately on the basis that immediately after the allotment, sub-division or consolidation, the subscription rights shall relate to the same percentage of the Ordinary Shares as that to which the subscription rights related immediately before such allotment, sub-division or consolidation and the exercise price will be adjusted accordingly. The Company shall give notice to the Warrantholder

within 28 days of any adjustment made and, if appropriate, within such period despatch Warrant certificates in respect of any additional Warrants.

5.3 ***Undertakings***

Except with the sanction of an Extraordinary Resolution (as defined in paragraph 5.4.3 below) for as long as any subscription rights remain exercisable:

5.3.1 the Company shall not in any way modify the rights attached to the Warrants or the terms of the Warrant Instrument;

5.3.2 the Company shall maintain sufficient authorised but unissued share capital and all requisite authorities to enable the issue of Ordinary Shares (free from any rights or pre-emption) pursuant to the exercise of all the Warrants outstanding from time to time;

5.3.3 the Company will (insofar as payment is not in contravention of Section 6 of the Isle of Man Companies Act 1992 or any other applicable laws relating to financial assistance to which the Company is or may be subject) pay all taxes, stamp and other duties and charges in respect of the creation and issue of warrants and on the issue of Ordinary Shares on the exercise of Warrants; and

5.3.4 Warrantholders will have make available to them, at the same time and in the same manner as they are made available to holders of Ordinary Shares, copies of the audited accounts of the Company (with the relevant directors' and auditors' reports) and copies of all other circulars or notices made available to holders of Ordinary Shares.

5.4 ***General offers and liquidation***

5.4.1 If at any time an offer is made to holders of Ordinary Shares to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the end of the exercise period that as a result of such an offer the right to cast a majority of votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall forthwith give notice to the holder of the Warrants of such vesting within 14 days of its becoming so aware and such holder shall be entitled, at any time within the period of 28 days following the date of such notice, to exercise his subscription rights at the exercise price applicable on the date the Company became aware of such vesting.

The publication of a scheme of arrangement providing, under section 152 of the Isle of Man Companies Act 1931, for the acquisition by any person of the whole or any part of such equity share capital of the Company shall be deemed to be the making of an offer for the purposes of this sub-paragraph 5.4.1.

5.4.2 If, on a date (or by reference to a record date) an offer or invitation is made by the Company (whether by way of rights or otherwise but not being an offer in connection with scrip dividend arrangements) to the Shareholders, or any offer or invitation is made to Shareholders otherwise than by the Company, then the Company shall procure that at the same time the same offer or invitation is made to a Warrantholder as if his subscription rights had been exercised on the day immediately preceding the record date of such offer, provided that if the directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the holder of the Warrants but that the exercise price and/or the subscription rights shall be adjusted:

5.4.2.1 in the case of an offer of Ordinary Shares for subscription by way of rights at a price less than the market price (as defined in the Warrant Instrument) at the date of announcement of the terms of the offer, by applying the mechanism set out in the Warrant Instrument to the exercise price in force immediately before such announcement; and

5.4.2.2 in any other case, in such manner as the auditors for the time being of the Company (the "auditors") shall report in writing to be fair and reasonable.

Any such adjustments shall become effective, in the case of 5.4.2.1 above, as at the date of allotment of the Ordinary Shares which are the subject of the offer or invitation and, in the case of 5.4.2.2 above as at the date determined by the auditors.

5.4.3 If on a date while any Warrants remain outstanding any order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction or amalgamation on terms sanctioned by a resolution proposed at a meeting of the Warrantholders duly convened and held in accordance with paragraph 5.5 below and passed by a majority of not less than three-fourths of the votes cast, whether on a show of hands or on a poll ("Extraordinary Resolution")) the holder of the Warrants will (if, in such winding up and on the basis that all subscription rights had been exercised in full and the subscription monies therefore had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Ordinary Shares which would exceed in respect of each Ordinary Share a sum equal to the exercise price) be treated as if immediately before the date of such order or resolution his subscription rights had been exercised in full at the exercise price and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares an amount equal to the sum to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the exercise price. Subject to the foregoing all subscription rights shall lapse on the liquidation of the Company.

5.4.4 If during the exercise period an offer or invitation is made by the Company to the holders of the Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the holders of the Warrants and the holders of the Warrants shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise any or all of their subscription rights on the basis applicable on the day immediately preceding the record date for such offer or invitation and any Ordinary Shares issued upon the exercise of the subscription rights shall be included in the offer on the same terms.

5.5 ***Modification of rights***

The Company may at any time and shall on receipt of a request in writing of persons holding not less than one-tenth of the outstanding Warrants (upon receiving such indemnity (if any) as it may require against reasonable costs, expenses and liabilities which it may incur by so doing) convene a meeting of Warrantholders to be held at such place within the United Kingdom as the Company shall determine.

At least fourteen days' or, when the meeting is being convened to pass an Extraordinary Resolution, twenty-one days' notice in writing of every meeting shall be given to the Warrantholders.

Without prejudice to the foregoing the Warrantholders, by way of Extraordinary Resolution, shall have power, *inter alia*, to sanction any compromise or arrangement proposed between the Company and any of them or modification or compromise of their rights against the Company, to sanction any proposal by the Company for the exchange or substitution for the Warrants of, or the conversion of the Warrants into, shares, stock, bonds, debentures, debenture stock or other obligations or securities of the Company or any other body corporate or assent to any modification of the conditions to which the Warrants are subject proposed by the Company.

5.6 ***Transfer***

Warrants shall be transferable individually and in integral multiples, in the case of Warrants held in certificated form, by an instrument of transfer in any usual or common form or such other form as may be approved by or on behalf of the Company, and, in the case of Warrants and in uncertificated form, by a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by or on behalf of the Company (subject always to the facilities and requirements of the relevant system concerned). The registrar for the time being of the Company shall maintain a register of Warrantholders in registered form.

In the case of Warrants held in certificated form the Company may decline to recognise any instrument of transfer unless such instrument is deposited at the office of the registrar for the time being of the Company accompanied by the Warrant certificate to which it relates, and such other evidence as the registrar may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on behalf of the transferor, the authority of that person so to do. The registrar may waive produce of any Warrant certificate upon evidence satisfactory to the registrar of its loss or destruction or upon execution of an appropriate indemnity. All instruments of transfer which are registered may be retained by the Company for so long as it thinks fit together with the cancelled Warrant certificates.

5.7 ***Purchase***

The Company may, with the agreement of the relevant Warrantholder, at any time purchase Warrants by tender (available to all Warrantholders alike) at any price or by private treaty at any price. All Warrants purchased by the Company shall be cancelled and may not be reissued or sold.

6 Directors' interests

6.1 As at the date of this document and immediately following Admission, the interests of the Directors and their immediate families (all of which are beneficial) in the share capital of the Company which:

6.1.1 have been notified to the Company by each Director to the extent that they are also directors of subsidiaries of the Company; or

6.1.2 are interests of a connected person (within the meaning of section 346 of the English Act) of a Director which would, if the connected person were a director and if the English Act applied to the Company, be required to be disclosed under the English Act (if it applied) and the existence of which is known to or could with reasonable diligence be ascertained by that Director are as follows:

	At the date of this document		*Immediately following Admission*		
Director	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Warrants*
Antonio de Castro	Nil	Nil	Nil	Nil	Nil
Michael St Aldwyn	Nil	Nil	Nil	Nil	Nil
Richard Jewson	Nil	Nil	50,000	0.05	12,500
Marcelo Junqueira	Nil	Nil	100,000	0.1	25,000
Timothy Walker	Nil	Nil	25,000	0.025	6,250
Philip Scales	Nil	Nil	Nil	Nil	Nil

6.2 At the date of this document and immediately following implementation of the Placing, save for the interests of Directors disclosed in paragraph 6.1 above, the Company is aware of the following persons who are or will be interested, directly or indirectly in three per cent or more of the issued share capital of the Company:

	At the date of this document		*Immediately following Admission*	
Name	*Number of Ordinary Shares*	*Percentage of issued share capital*	*Number of Ordinary Shares*	*Percentage of issued share capital*
Numis Corporation plc	2	100	10,630,572	10.6

6.3 Save as disclosed in paragraphs 6.1 and 6.2 above, the Company is not aware of any person who will, immediately following Admission, be interested (for the purposes of section 198 of the English Act) directly or indirectly in three per cent or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company.

6.4 The persons including the Directors, referred to in paragraphs 6.1 and 6.2 above, do not have voting rights in respect of the share capital of the Company (issued or to be issued) which differ from any other shareholder of the Company.

6.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

6.6 No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed. There are no potential conflicts of interests between any duties owed to the Company by the Directors, and their private and/or other duties.

6.7 The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships, partnerships or been a member of the senior management of:

Name	*Current*	*Past*
Antonio de Castro	Souza Cruz S.A. Abbey Investment Company Limited British American Racing (1998) Limited B.A.T. Cambodia (Investments) Limited British American Tobacco China Holdings Limited B.A.T. China Limited British American Tobacco Guinea (Investments) Limited British American Tobacco (Holdings) Limited British American Tobacco (Investments) Limited British American Tobacco International (Holdings) B.V. British American Tobacco International Holdings *(UK)* Limited British American Tobacco Korea (Investments) Limited British American Tobacco Malaysia (Investments) Limited British American Tobacco plc British American Tobacco (South America) Limited B.A.T. Uzbekistan (Investments) Limited B.A.T. (Westminster House) Limited British American Ventures Limited British American Tobacco Management Board Chelwood Trading & Investment Company Limited Myddleton Investment Company Limited Precis (1789) Limited Precis (1790) Limited Precis (1814) Limited Reynolds American Inc. The Raleigh Investment Company Limited Tobacco Manufacturers (India) Limited Westanley Trading & Investment Company Limited Weston Investment Company Limited	British American Racing (Holdings) Limited Companhia Continental de Cigarros Limited British American Tobacco Mexico, S.A. de C.V. Eldocor Corretagens de Seguros S.A. BARH Limited B.A.T. Industries p.l.c. BAT Mexico Exports, S.A. de C.V. British American Tobacco Peru Holdings Limited Compania Anonima Cigarrera Bigott Sucesores Compania Chilena de Tabacos S.A. Ciberion Limited British American Tobacco (Domicana) Limited Agroindustrias Moderna S.A. de C.V. Cigarros El Aguila, S.A. de C.V. BAT Mexico Distribuciones, S.A. de C.V. Inversionista Mexicana, S.A. de C.V. La Libertad S.A. Alcoa Aluminio S.A.
Michael St Aldwyn	Merrill Lynch Latin American Investment Trust plc The Rank Foundation Limited International Fund Marketing (UK) Limited	Balfour Capital Limited
Richard Jewson	111 Alderney Street (1981) Limited Archant Profit Sharing Scheme Trustee Company Archant Employee Benefit Trustee Company East Port Great Yarmouth Limited Temple Bar Investment Trust plc Archant Limited Jarrold & Sons Limited Archant Charitable Trustee Company Limited Watts Blake Bearne and Company plc PFI Infrastructure Finance Limited Grafton Group plc	Octagon Healthcare Holdings Limited Lexi Holdings plc Hy-phen.com Ltd Anglian Housing Group Limited Danogue plc awg plc Queens Moat House PLC Savills plc Taverham Hall Educational Trust Ltd Anglian Water Services Ltd

Name	*Current*	*Past*
Marcelo Junqueira	Agrop Ltda. Agrop Servicos Ltda. Temple Capital Partners Limited Destilaria Agua Limpa Ltda Temple Capital Partners Planejamento Empresarial Ltda	Econergy Brasil Ltda.
Timothy Walker	Church Farm Consultants Ltd Heron and Brearley Ltd Neptune Whitbread Hotel Ltd Residan Ltd Liselle Ltd Promenade Investments Ltd Lawcall Insurance Ltd Erissa Insurance Company Ltd Endocrine Pharmaceuticals Ltd The PFI Infrastructure Company plc Neptune Developments Ltd C E Insurance Services Ltd Ishaan Real Estate plc	Whitbread Hotel Company Limited (previously Swallow Group plc) Strix (U.K.) Limited Swift Quest Limited Swift Inns and Restaurants Limited Swift (Lurchrise) Limited Swift Hotels Limited Swift Hotels (1995) Limited Swift Hotels (Management) Limited S.H. Ward & Company Limited W.R. Wines Limited Vaux Group Limited Vaux Breweries Limited Vaux Breweries (1995) Limited Vaux (Aviation) Limited Summerfields Care Limited Sprowston Manor Hotel Limited Sprowston Park Golf Club Limited Spring Soft Drinks Limited Small & Co. (Engineering) Limited Small & CO. Limited Percheron Properties Limited Norseman Lager Limited Morris's Wine Stores Limited Maintenance, Building & Signage Limited London International Hotel Limited Leisure and Retail Resources Limited Lambtons Ale Limited James Bell and Co Limited Gable Care Limited Finite Hotel Systems Limited Eagle Public House Company (Middlesbrough) Limited W.M. Darley Limited Churchgate Manor Hotel Limited William Overy Crane Hire Limited Lurchrise Limited St Bernards Insurance Co. Limited Noble Grossart (IOM) Limited Belstead Brook Manor Hotel Limited Autumn Days Limited Lorimer & Clark, Limited Respotel Limited Kingsmill Hotel Company Limited Alastair Campbell and Co Limited The Scorpion Island Brewing Company Limited Manor Hotels Limited St Andrew Homes (1995) Limited

Name	*Current*	*Past*
Philip Scales	A&M Overseas Limited *(BVI)*	ACE Dunfermline Limited
	ACE Dunfermline Limited	ACE East Grinstead Limited
	ACE East Grinstead Limited	ACE (Four) Limited
	ACE (Four) Limited	ACE Hartlepool Retail Limited
	ACE Hartlepool Retail Limited	ACE Milton Keynes Limited
	ACE (One) Limited	ACE (One) Limited
	ACE Peterborough Limited	ACE Peterborough Limited
	ACE Reading Limited	ACE Reading Limited
	ACE (Three) Limited	ACE (Two) Limited
	ACE (Two) Limited	ACE (Three) Limited
	ACE Winchester Limited	ACE Winchester Limited
	Atlal Limited	Achille Boroli Limited
	Bamboo Investments (Isle of Man) plc	Active Commercial Estates Limited
	Bargain Hunter Fund plc	Active Commercial Estates plc
	Birmingham Brindleyplace (General Partner) Limited *(UK)*	Al Badour investment Group Limited
		Alfaman Holdings Limited
	Birmingham Brindleyplace Capital (General Partner) Limited *(UK)*	Ambridge Nominees Limited
		Amil (Isle of Man) Limited
	Buskett Limited	Annisfield Limited
	Chip (Five) Limited	Apoca Limited
	Chip (Four) Limited	Applecross Limited
	Chip (One) Limited	Armier Limited
	Chip (Seven) Limited	Armstrong Investments Limited
	Chip (Six) Limited	ASA Consultants (Isle of Man) Limited
	Chip (Three) Limited	Attard Limited
	Chip (Two) Limited	Aurum Investments Limited
	Clean Energy Asia Limited	Awrad Co Limited
	Climate Exchange plc	Badran Co Limited
	Close High Income Properties plc	Ballinamore Limited
	Dawnay, Day Carpathian plc	Balzan Limited
	Dayem Limited	Ballyward Limited
	Derivatives Capital Management Limited	Barcia Fine Arts Limited
	EPIC Finance Company Limited	Barfield Nominees (IOM) Limited
	EPIC Securities plc	Barnalswick Limited
	Faris Limited	Bathgate Retail Park Investments Limited
	Fixed Uplift Properties plc	BCEC I Limited
	Frontier Commercial Property Fund plc	BCEC II Limited
	Frontier Fund plc	BCEC III Limited
	Frontier Global Real Estate Fund plc	BCEC IV Limited
	Frontier Global Stars Fund plc	BCP Birmingham Limited
	FUP Bristol Lincoln Limited	BCP City Gate Limited
	FUP Liverpool 2 Limited	BCP One Limited
	G.J. Events Limited	BCP Two Limited
	Gulf Development & Finance Limited	BCP Three Limited
	Haiser Limited *(BVI)*	BCP Wolverhampton Limited
	Hammy Limited	Beachpalm Limited
	Healthcare & Leisure Property Fund plc	Beresford Overseas Limited
	Hindle Limited	Berkshire UK Industrial Properties (Isle of Man) plc
	Irudnay (IOM) Limited	
	Lincoln Land Germany plc	Biscoe Limited
	Manchester Square (General Partner) Limited *(UK)*	Blue Arch Limited
		Bluegrass Investments Limited

Name	*Current*	*Past*
Philip Scales	Mediterranean Marine (IOM) Limited Neville James Secure Capital Growth Fund plc Neville James Zero Preference Fund plc Omega Derivatives Capital Limited Oubliette Limited Paternoster Holdings Limited Paternoster Limited Property Investment Portfolio plc Qabila Limited Quantinvest Limited Quantinvest Management Limited Quartet (One) Limited Quartet Commercial Properties plc Sardinella Limited SEIF (IOM) Limited SEIF Global Limited SEIF Limited SEIF Limited*(BVI)* SEIF Services Limited *(BVI)* Seraphim Capital plc St James' Park Group Limited Stockwell Capital Investments plc Tapton Limited Tashkent Limited Tatlow Limited Tenanted Inn Estates plc TEP Asia Limited TEP Trading 1 Limited TEP Trading 2 Limited The Active Commercial Estates plc The Capital Appreciation Trust plc The Equity Partnership Investment Company plc The Golden Jubilee Trust Tiff Investments Limited *(BVI)* Top Developments plc Trading Emissions (Isle of Man) Limited Trading Emissions plc Traffic Limited Trinity Capital plc	Bonsall Limited Borchester Limited Bressenden Limited Bretnor Limited Brettonwood Limited Brindle Limited Brindleyplace (Inc) Nominees Limited Brindleyplace (Cap) Nominees Limited British Cable & Optical Fibres Limited Bruno Limited Bunbury Limited Burnham Properties Limited Business Angels Investments Limited Business Centre Properties plc Buskett Limited Callowhill Limited Captiva Investments Limited Cardale Limited Casolam Limited Castellucio (One) Limited Casterton Limited Cervantes Limited Champion Limited Cherwell Limited Chesero Limited Chesterton Limited Chip (Ipswich) One Limited Chip (Ipswich) Two Limited Choice Investments Limited Cledford Limited Closepip ISA and PEP plc Close Property Management (Isle of Man) Limited Clough Road Hull Investments Limited Coleshill Limited Coltag Limited Columb Limited Colunas Limited Colwall Limited Como Investments Limited Concord Advisory Services Limited *(BVI)* Concord Consultant Services Limited *(BVI)* Concord International Partners Limited Concord National Investments Limited Consultores Management Company Limited Continental Corporate Opportunities Limited CRC Limited Crenshaw Limited Crumpsall Limited Curdalworth Limited Cuzco Investments Limited Darland Limited Dawnay, Day Carpathian plc Delphburn Limited DFA Limited Diamond Investments (Overseas) Limited (Cyprus)

Name	*Current*	*Past*
Philip Scales		Diana Limited DIL Dortmund Investors Limited Dolphin Fund plc Drakes Way Investments Limited Drava Limited Dukkara Limited Dunster Investments Limited Eastchurch Limited Eccleshall Limited EPIC Reconstruction Property Company (IOM) Limited EPIC Select Opportunities Investment Company plc EPIC Structured Finance Limited EPIC Student Accommodation plc EPS Finance Limited *(BVI)* EPS Finance (IOM) Limited Equest Balkan Properties Limited ER Limited ER Investments Limited Erandel Holdings Limited *(BVI)* ESN-Leader Capital Carried Interest Partner Limited ESN-Leader Capital General Partner Limited EU Euroinvest Fund Evidental Limited Explorer Investments Limited Fallowfield Limited Felpersham Limited Fenstock Limited Ferfil Limited Fieldsons Limited First Assured Rental Growth plc Fisher Limited Fixed Uplift Properties plc Flosshilde plc Flyford Limited Fort Administration Limited Foundations Programme plc Foxgrove Limited FPA Limited Fraser (Isle of Man) Limited Freshford Limited Fringebar Properties Limited FUP Bristol Lincoln Limited FUP Liverpool 2 Limited Gallectica Enterprises Limited Galleone Investments Limited Gardenia Limited Garthewin Limited Gemms Cap Limited Geryon Limited Glaisdyke Limited Glengarry Limited Gondar Investments Limited Greenwich Limited Greenlaw Limited Guasta Arts Limited

Name	*Current*	*Past*
Philip Scales		Gulf Holdings Limited Gyda Limited Hackman Limited Hajira Limited Haiser Limited Hampshire Holdings Limited Harboro Limited Hardcastle Investments Limited Havenport Limited Heatherstone Limited Heathwaite Limited Hebatco Investments Limited Higson Limited Hollywest Limited Hollywood Green Investments Limited Holmer Limited Horizons Court Brentford Limited Hovey Limited Human Development Trademarks Limited Hurumzi Limited I.H. Business Development Co. Limited Indiahold Limited *(BVI)* International Fund Managers (Isle of Man) Limited Invenium Limited I.T. Ventures — Concord Misr *(BVI)* Limited *(BVI)* Jenigma Holdings Limited Kallina Limited Kappara Limited Kenelm Limited Kentish Limited Kilmartin Limited Kittery Limited Koby Limited Kreon plc Lacash Limited Laffan Limited Land Investments plc Land Investments (One) Limited Lanlerne Limited La Rocca Investments Limited Lavan Limited Laxmi Limited Ledson Limited Lendalfoot Limited Leo Bianco Limited Lesimo Limited Lighthouse Estate Limited Linehall Limited Livingstone Limited LJMC Services Limited Lochbroom Limited Loeven Limited London Scottish (2004) Limited London Scottish Re Limited Loresho Limited Lydford Limited Manor Wood Limited

Name	*Current*	*Past*
Philip Scales		Maroya Limited Marsascala Limited Matchline Limited Mawgan Limited Meekland Holdings Limited Medcini Limited Medlock Limited Medranow Limited Meg & Mog Rights Limited Menaul Limited Milbreck Limited Millbank Properties Limited Mistra Limited Monastir Limited Montalbano Gallery Limited Moorclose Limited Moore Holdings Limited Morgan Care Holdings Limited Mosta Limited Morai Trading Limited Mullally Limited Narlin Limited Neville James Fund Managers Limited Normandy Limited Northern Trust International Fund Administration Services (Isle of Man) Limited Northwich Investments Limited Notre Dame Limited Novia Limited Omega (IOM) Limited Oubliette Limited Overlord Limited Paisley Investments Limited Palmayra Limited Pan African Holdings Limited Paradise Investments Limited Peake Limited Pearlstone Limited *(BVI)* Pelorus Property plc PIE R&D Limited Policy Extra Holdings Limited Pollett Limited Portobello Limited Poundsgate Limited Praesepe Limited Priyanka Limited *(BVI)* Property Investments Eleven Limited Quartet Commercial Properties plc Quartet Nominees Limited *(UK)* Quartet (One) Limited Quartet (Two) Limited *(UK)* Quartz Limited Radwell Limited Raines Limited Ramla Limited Ransley Limited Rassina Limited Rath Dhu Limited

Name	*Current*	*Past*
Philip Scales		Red Lodge Limited Relax Investments Limited Relcon Limited Retford Limited Rhos Investments Limited Riameen Limited Ricasoli Limited Rinella Limited Rolla Associates Limited Rophi Corporation *(BVI)* Royalton Investments Limited Rudy Limited Rush Limited Sachi Investment Company Limited Saint Isidore Limited Salthouse Limited Sarasota Limited Sardinella Limited Sardonyx Limited Sassoon Limited SCS Alliance Limited S/D Flats Limited Seaford Trading Company Limited Seaton Investment Limited (Liberia) Selmun Limited Senglea Limited Sepoint Limited Shefield Trading Corp Shefford Limited Shintillo Investments Limited Shiraz Investments Limited Shire Park Welwyn Limited Skynet Limited SMC Consulting Limited Snelgrove Limited Snook Services Limited Snowforth Limited *(BVI)* Southfield Aircraft Limited Southfields Limited Speke Investments Limited Spinelle Limited St. Mary's Limited Standhall Limited Stonefold Limited Stonykirk Limited Stovell Limited Stratford Limited Subrun Investments Limited Surveys Malawi Limited (Malawi) Symi Limited TAMA (1993) Limited Taria Investments Limited Tarland Limited Tatlow Limited Telelink Swansea Investments Limited The Capital Appreciation Trust (Isle of Man) plc The Wych Cross Place Estate Company Limited

Name	*Current*	*Past*
Philip Scales		TIE Midlands Limited TIE South East Limited TIE South West Limited TLT Investments Limited Tinas Investments Limited Tombstone Limited Trimingham Limited Trimingham Limited *(BVI)* Trustforte Management Limited Tullmore Limited UVI Limited Vale Nominees Limited Valentia Enterprises Limited Valleyview (IOM) Limited VAM Limited VAM II Limited VAM III Limited VAM American Special Opportunities Limited VAM Funds plc VAM Growth Limited VAM Managed Funds plc VAM Protected STAR Limited Vela Co. Limited Ventura Limited Verdala Limited Versailles Properties Limited Verwood Limited Vieville Limited Villocq Investments Limited Viscount Way Investments Limited Voller Limited Vorley Limited Vumba Investments Limited Wadeson Limited Walderslade Limited Wardara Enterprises Limited Waverley Limited Waymark Limited Weatherfield Limited Wellesley House Investments Limited Wellington House Investments Limited White Gables Limited Whitman Limited Willake Limited Wimbridge Limited Wintney Limited Wymouth Limited Yetminster Limited

The business address of all the Directors is IOMA House, Hope Street, Douglas, Isle of Man IM1 1AP.

6.8 Save as disclosed below, none of the Directors has:

6.8.1 had any convictions (whether spent or unspent) in relation to offences involving fraud or dishonesty;

6.8.2 been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

6.8.3 been a director or senior manager of a company at the time of, or within the 12 months preceding the date of, that company being the subject of a receivership, compulsory

liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors;

6.8.4 been the subject of any bankruptcy or been subject to an individual voluntary arrangement or a bankruptcy restrictions order;

6.8.5 been a partner of a partnership at the time of, or within 12 months preceding the date of, that partnership being placed into compulsory liquidation or administration or being entered into a partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership; or

6.8.6 owned an asset over which a receiver has been appointed.

On 8 December 2004 British American Racing (Holdings) Limited, a company of which Antonio de Castro was a director, was placed in administration. The company subsequently entered into a company voluntary arrangement under which third party creditors were paid in full.

On 3 October 2006 Lexi Holdings plc, a company of which Richard Jewson resigned as a director on 24 April 2006, was placed into administration. At this stage of the administration, there is no further information available.

6.9 Save as disclosed, there are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Director was selected.

6.10 Save as disclosed, in paragraph 11 below, there are no restrictions agreed by any Director on the disposal within a certain period of time of their holdings in the Company's securities.

6.11 Save as disclosed, there are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors nor are there any loans or any guarantees provided by any of the Directors for any member of the Group.

7 Directors' contracts

7.1 Each of the Directors has entered into an agreement with the Company providing for them to act as a non-executive director of the Company. Their annual fees, excluding all reasonable expenses incurred in the course of their duties which will be reimbursed by the Company, and the number of days per year they are required to provide their services to the Company are as follows:

Name	*Annual fee* £	*Number of days per annum*
Antonio de Castro	70,000	12
Michael St. Aldwyn	40,000	12
Richard Jewson	40,000	12
Marcelo Junqueira	40,000	12
Tim Walker	40,000	12
Philip Scales	5,000	12

7.2 Each agreement has a fixed term of one year and is terminable by 90 days' notice in writing by either party provided that where the Company serves notice, the end of such notice period shall be after expiry of the fixed term. Each Director has a confidentiality undertaking that is without limit in time.

7.3 The aggregate remuneration (including pension fund contributions and benefits in kind but excluding bonuses) of the Directors in respect of the current financial year (under the arrangements in force at the date of this document) is expected to be £235,000.

7.4 Save as set out above, there have not been since incorporation and there are no existing or proposed service contracts between any of the Directors and the Company or any member of the Group providing for benefits upon termination of employment.

8 Placing and lock-in arrangements

8.1 Under the Placing Agreement Numis has agreed (conditionally, *inter alia*, on Admission taking place not later than 29 December 2006) as agent for the Company to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

Under the Placing Agreement, and subject to its becoming unconditional, the Company has agreed to pay Numis commissions aggregating 4.75 per cent of the aggregate value at the Placing Price of the Placing Shares including a corporate finance fee of £750,000 and to pay to Smith & Williamson Corporate Finance fees of £200,000 (together in each case with any applicable VAT).

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains representations, warranties and indemnities given by the Company and the Directors to Numis and Smith & Williamson Corporate Finance as to the accuracy of the information contained in this document and other matters relating to the Group and its business. Numis and/or Smith & Williamson Corporate Finance are entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

8.2 On 12 December 2006, the Company subscribed for the Temple Placing Shares at par. The Temple Placing Shares will be transferred to the placees under the terms of the Placing. The aggregate of the Temple Placing Shares amounts to a 30 per cent economic interest in Temple. The apportionment between the Placees of this aggregate interest will be at the discretion of the Directors based upon the amount subscribed by the individual Placees in the placing by CEB.

Subject always to the issue of further shares in Temple, the Temple Placing Shares have the following rights:

8.2.1 The Temple Placing Shares are entitled to receive dividends the aggregate amount of which will be 30 per cent of the aggregate amount available to be distributed to all shareholders in Temple. Dividends will be paid on the Temple Placing Shares at the same time as dividends are paid on the ordinary shares in Temple which will be at the discretion of the board of Temple.

8.2.2 The Temple Placing Shares have no voting rights.

8.2.3 On a return of capital to shareholders of Temple the Temple Placing Shares will be entitled to participate on the basis that the aggregate amount which they will receive will be 30 per cent of the aggregate amount available to be returned or paid to all shareholders in Temple.

8.2.4 If further shares are issued in Temple, the Temple Placing Shares interest will be diluted in proportion to the dilution of the ordinary shares in Temple but there is protection for the Temple Placing Shares in relation to issues of further shares at a discount to market value (to be determined independently).

8.2.5 There are no "drag or tag" along rights or obligations attaching the Temple Placing Shares but on any initial public offering of Temple the Temple Placing Shares will be converted into ordinary shares in Temple.

8.2.6 The Temple Placing Shares are freely transferable and no pre- emption rights will exist on their transfer.

8.2.7 The Temple Placing Shares will have no right to participate in the management of Temple and no minority protection rights beyond those that exist under Cayman Island law.

8.2.8 The Temple Placing Shares will rank equally as between themselves.

8.3 With effect from Admission, the Directors will enter into an agreement with the Company, Numis and Smith & Williamson Corporate Finance not to dispose of or transfer any Ordinary Shares or Warrants held by each of them for a period of 12 months from Admission.

9 Taxation

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

There can be no assurance that the tax position or proposed tax position prevailing at the time an investment in the Ordinary Shares or the Warrants is made will endure indefinitely. Prospective investors who are in any doubt as to their tax position or require more detailed information than the general outline below should consult their professional advisers.

9.1 ***The Group***

9.1.1 *Isle of Man Taxation*

The Isle of Man Government has introduced a general 0 per cent tax rate for companies with effect from 6 April 2006. The Company will be resident for tax purposes on the Isle of Man but subject to income tax at the rate of 0 per cent There are no corporation, capital gains or inheritance taxes payable in the Isle of Man. No Isle of Man stamp duty or stamp duty reserve tax will be payable on the issue, transfer, conversion or redemption of the Ordinary Shares or Warrants.

In the event of the death of a sole holder of Ordinary Shares or Warrants, an Isle of Man grant of probate or administration may be required in respect of which certain fees will be payable to the Isle of Man government.

Capital duty in the Isle of Man is calculated at the rate of £15 per £1,000 or part thereof and is payable on incorporation or on any increase in the nominal value of the authorised share capital of the Company, subject to a minimum of £125 for capital up to £2,000, and to a maximum amount of duty of £5,000.

Shareholders and Warrantholders resident outside the Isle of Man should not suffer any income tax in the Isle of Man on any income distributions to them.

The EU Savings Tax Directive (Council Directive 2003/48/EC) (the "Directive") came into force on 1 July 2005. The Isle of Man has entered into bilateral agreements with the EU Member States which effectively require the Isle of Man to comply with the requirements of the Directive.

9.1.2 *Brazilian Taxation*

CEB will typically invest in Brazilian investments through a local Brazilian subsidiary, held by an intermediate holding company.

Withholding income tax

Withholding income tax applies to most payments made by Brazilian parties to non-residents, such as interest, service fees, capital gains and royalty payments. According to Brazilian tax legislation, withholding tax is due upon the maturity date or when the payment is made, remitted abroad, used in favour of the payee or credited, which ever occurs first.

The rates generally depend upon the nature of the payment, on the residence of the beneficiary and on the existence of tax treaties between Brazil and the country where the beneficiary is located. Most common rates range from 15 to 25 per cent As a general rule, income paid to

beneficiaries in low tax jurisdictions is subject to 25 per cent withholding tax. There are also some remittances that are subject to a zero per cent withholding tax rate.

Remittances abroad

Dividends

According to Brazilian legislation, dividends may be paid out of accumulated earnings, profits and unrestricted reserves. Normally, dividends are payable once a year, however, companies authorised or required by law or their bylaws may prepare financial statements each semester for the distribution of an interim dividend out of current year profits. In addition, to be able to pay dividends abroad, the payer is required to have its foreign capital properly registered with the Brazilian Central Bank.

Profits generated as from January 1, 1996 are not subject to withholding income tax when distributed as dividends.

Interest

Interest associated with loans due to non-residents is subject to a 15 per cent withholding tax. Exception is made in the case of interest paid to a beneficiary located in Japan which, due to the tax treaty, is subject to a 12.5 per cent rate, as well as interest on export notes and interest associated to export financing which are currently zero-rated.

Interest on equity

According to Brazilian tax law, in addition to dividends, Brazilian subsidiaries may also pay interest on equity to its shareholders, which is a hybrid institute between dividends and interest, considered as remuneration for the investor, related to capital investments.

In general terms, the interest on equity is calculated by applying the daily *pro rata* variation of the government's long-term interest rate (called "TJLP") on the Brazilian entity's adjusted equity, considering all equity variations occurred during the year. Interest on equity amount is limited to the higher between 50 per cent of the payer's retained earnings or 50 per cent of the payer's current profits, with some adjustments.

Interest on equity is subject to 15 per cent withholding tax on the date it is paid or credited to the recipient. Interest on equity paid to beneficiaries in low tax jurisdictions is subject to 25 per cent withholding tax.

The local payer is allowed to deduct interest on equity paid or credited to resident or non-resident shareholders for corporate income tax and social contribution tax on profits purposes.

Capital gains of non-residents

Capital gains correspond to the difference between the value of the transaction (e.g., sales price) and the cost of acquisition of the investment. In general, a withholding tax of 15 per cent applies to capital gains earned by foreign residents on the transfer of quotas in a Brazilian company.

The computation of capital gains for non-residents is a controversial matter in Brazil. In practice, there are two possible methods that often lead to the determination of different costs of acquisitions and thus a different amount of capital gains.

One method considers as cost of acquisition the amount of the historical investment made in local currency (Brazilian Reais), with an adjustment for inflation until 31 December 1995. Under the other method, the cost should be equal to the foreign capital registered with the Central Bank.

Additionally, recent changes in legislation also provide the possibility to impose taxation on capital gains derived from sale of shares in Brazilian entities even if the transaction is performed between two non-residents. According to the new provisions, the representative of the non-resident buyer would be responsible for withholding and paying the Brazilian tax on any capital gains of the non-resident seller.

Corporate taxation

The Brazilian tax system is based on the principle of strict legal reserve and its main rules are defined by the Federal Tax Code of 1966 and by Federal Constitution, issued in 1988. Three jurisdictions and tax collection levels are defined within legislation. Thus, taxes may be levied by the federal, state and municipal governments.

Federal corporate income taxes

The income tax regulations in force are consolidated under Decree 3000 of March 26, 1999. These codified regulations apply to all taxpayers. Only the Federal Government may charge income tax. However part of the income tax collected is transferred to states and municipalities.

For corporate tax purposes, profits and capital gains earned worldwide are subject to Brazilian income taxes. There is no distinction made as to the origin of the capital (whether the investors are foreign or domestic).

Corporate income tax (IRPJ)

Brazilian corporate income tax is a federal tax charged on the company's net taxable income. It applies at a rate of 15 per cent on taxable income, plus a surtax of 10 per cent on the annual income that exceeds R$240,000 per year.

Social contribution tax on profits (CSLL)

Social contribution tax on profits is also a federal tax levied on the net taxable income and currently applies at 9 per cent Social contribution tax on profits' tax base is similar to the tax base for the corporate income tax, although some specific adjustments may be required for one tax and not for the other.

Gross revenues taxes

PIS and COFINS

PIS (Employees' Profit Participation Programme) and COFINS (Contribution for Social Security Financing) are federal taxes charged on gross revenues, including income from financial transactions, under two regimes: cumulative and non-cumulative.

New PIS tax provisions were implemented in December 2002 (MP 66/02 and Law 10,637/02). As a result of such rules, the PIS rate was increased from 0.65 per cent to 1.65 per cent and a credit mechanism was introduced. According to this new non-cumulative mechanism, in general, the taxpayers may recognise PIS credits corresponding to 1.65 per cent over certain costs and expenses. Such credits may be used to offset the PIS due on their taxable revenue.

On the other hand, Law 10,833/03, enacted on 29 December 2003, applied similar non-cumulative rules to COFINS. In exchange for an increased COFINS tax rate (from 3 to 7.6 per cent), COFINS tax credits corresponding to 7.6 per cent over certain costs and expenses are available to offset the tax due on the monthly taxable revenue.

Financial taxes

CPMF

CPMF is a tax levied on every withdrawal of funds from Brazilian bank accounts at 0.38 per cent per transaction.

IOF

IOF is a federal tax levied on credit, exchange, insurance and securities transactions, executed through financial institutions, and loans granted by corporate entities in general. The tax also applies to gold transactions.

The IOF is levied at varying rates, depending on the maturity terms and the type of transaction.

Currently the IOF tax rate is reduced to zero on most of foreign exchange transactions, such as the importation of goods and the payment for transfer of technology and services.

Brazilian Central Bank Rules

Foreign capital in Brazil is governed by Law n° 4131/62 and Law n° 4390/64. According to the former, "foreign capital is considered to be any goods, machinery and equipment that enter Brazil with no initial disbursement of foreign exchange, and are intended for the production of goods and services, as well as any funds brought into the country to be used in economic activities, provided that they belong to individuals or legal entities resident or headquartered abroad."

The Brazilian Central Bank applies strict regulations for both inflow and outflow of funds into/ from the country. Therefore, transactions involving the remittance of foreign currency from Brazil or entrance of funds into the country are subject to these rules, which require the presentation of proper documentation to the private bank responsible for the exchange contract, registration of some cross-border transactions in Central Bank electronic system ("RDE-IED"/"RDE-ROF") and the use of specific listed codes for each transaction.

Direct Investments (RDE-IED)

Foreign capital must be registered within thirty days of receipt of the funds in Brazil or of the recording of the funds in the recipient's accounting records. A substantial penalty for non-compliance may be charged by the Brazilian Central Bank. Normally, the entity receiving the funds makes the application for registration. The registration system is on-line, displayed on the SISBACEN electronic system, named as RDE-IED (*Registro Declaratório Eletrônico de Investimentos Extrangeiros Diretos*).

Financial Operations (RDE-ROF)

Certain types of financial cross-border operations such as loans, rental, leasing, imports and exports financing schemes would be subject to Central Bank's registration through the RDE-ROF electronic system (*Registro Declaratório Eletrônico de Operaĉes Financeiras*), displayed by the SISBACEN. Note that trademarks, patents or technical services cross-border payments would also be subject to registration under the RDE-ROF.

9.2 ***Investors***

9.2.1 *Taxation of dividends on Ordinary Shares*

Holders of Ordinary Shares will receive dividends without deduction of Isle of Man income tax. UK resident and domiciled individual holders of Ordinary Shares should be liable to UK income tax on the dividends received. UK individuals who are UK residents or ordinarily UK residents but not UK domiciled will only be subject to UK income tax on Isle of Man dividends to the extent that they are remitted to the UK. Isle of Man resident holders of Ordinary Shares will (subject to their individual circumstances) be liable to Isle of Man income tax on dividends received.

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

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

9.2.2 *Taxation of capital gains*

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

taxation on capital gains. Individual holders of Ordinary Shares or Warrantholders who are not UK domiciled should not be subject to UK capital gains tax unless gains are remitted to the UK. Holders of Ordinary Shares or Warrants should not suffer any liability to capital gains tax in the Isle of Man.

9.2.3 *Stamp duty and stamp duty reserve tax ("SDRT")*

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

9.2.4 *Other United Kingdom tax considerations*

The attention of individuals resident or ordinarily resident in the UK is drawn to the provisions of sections 739 to 745 of the Taxes Act which relate to the avoidance of UK income tax by means of the transfer of assets aboard. These sections contain provision whereby HM Revenue & Customs in the UK may assess UK transferors to UK tax in certain circumstances.

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

UK domiciled individual holders of the Ordinary Shares who are resident or ordinarily resident in the UK and whose interest (when aggregated with persons connected with them) in the chargeable gains of the Company or its subsidiaries exceeds one-tenth of the gain may be subject to a tax charge. In the event that the Company would be treated as 'close' under UK tax legislation if it were resident in the UK, then part of any chargeable gain accruing to the Company or its subsidiaries may be attributed to such a Shareholder and the Shareholder may (in certain circumstances) be liable to UK tax on capital gains (section 13 Taxation of Chargeable Gains 1992). The part of the capital gain attributed to the Shareholder corresponds to the Shareholder's proportionate interest in the Company.

9.2.5 *European Union Taxation of Savings Income Directive*

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

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

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

10. Certain United States Federal Income Tax Considerations

The following is a discussion of certain US federal income tax considerations applicable to an investment in the Ordinary Shares, Warrants and the Temple Placing Shares by US Holders who acquire their Ordinary Shares, Warrants and Temple Placing Shares pursuant to the Placing and who hold such shares and warrants as capital assets for US federal income tax purposes (generally, for investment). For purposes of this discussion, unless otherwise noted, the Ordinary Shares and Temple Placing Shares will be collectively referred to as a "Share" or "Shares," as applicable. As used in this section, the term "US Holder" means a beneficial owner of a Share or Warrant who is for US federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation created or organised in or under the laws of the United States or any political subdivision thereof or the District of Columbia;
- an estate whose income is subject to US federal income taxation regardless of its source; or
- a trust if (i) the trust has elected validly to be treated as a US person for US federal income tax purposes or (ii) a US court is able to exercise primary supervision over the trust's administration and one or more US persons have the authority to control all of the trust's substantial decisions.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds Shares or Warrants, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax adviser as to its tax consequences.

This discussion is based on provisions of the United States Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), existing and proposed US Treasury regulations and administrative and judicial interpretations, each as in effect as of the date hereof. These authorities may change, possibly with retroactive effect, and are open to differing interpretations. This description does not discuss all aspects of US federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under US federal income tax law, including:

- insurance companies;
- dealers or traders in stocks, securities or currencies;
- financial institutions and financial services entities;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- persons that receive Shares or Warrants as compensation for the performance of services;
- tax-exempt organisations;
- persons that hold Shares or Warrants as a position in a straddle or as part of a hedging, conversion or other integrated instrument;
- individual retirement and other tax-deferred accounts;
- certain former citizens or long-term residents of the United States;

- persons having a functional currency other than the US dollar; and
- direct, indirect or constructive owners of 10 per cent or more, by voting power, of the Company or Temple.

This discussion also does not consider the possible application of US federal gift or estate taxes, state, local or foreign taxes or the alternative minimum tax.

Circular 230 Disclosure: This tax discussion was written to support the promotion or marketing of the Shares and Warrants. To ensure compliance with requirements imposed by the United States Internal Revenue Service (the "IRS"), we are informing you that this discussion was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax-related penalties that may be imposed on a taxpayer under the Internal Revenue Code. Taxpayers should seek advice based on their particular circumstances from an independent tax adviser

Purchase Price Allocation

A US Holder's adjusted tax basis in the Shares and Warrants acquired in the Placing will be based on an allocation of the total consideration paid by the US Holder in the Placing to the Shares and Warrants in proportion to their relative fair market values. While the Company has not obtained an appraisal of the fair market value of the Warrants or Temple Placing Shares, the Directors believe that a reasonable estimate of the allocation of the investors' consideration paid in the Placing between the Ordinary Shares, Warrants and the Temple Placing Shares is 96 per cent, 2 per cent and 2 per cent, respectively. However, this allocation is only an estimate and investors should consult their own tax advisers.

Distributions Paid on the Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations," a US Holder generally will be required to include in gross income as ordinary dividend income the amount of any distributions paid on the Shares, including the amount of any non-US taxes withheld, if any, to the extent that those distributions are paid out of the current or accumulated earnings and profits of the Company or Temple, as applicable, as determined for US federal income tax purposes. Distributions paid by the Company or Temple that are in excess of such entity's earnings and profits will be applied against and will reduce the US Holder's tax basis in its Shares and, to the extent they exceed that tax basis, will be treated as gain from a sale or exchange of those Shares. Any such dividend income generally will be treated as foreign source income for US foreign tax credit purposes, which may be relevant in calculating a US Holder's foreign tax credit limitation. Dividends paid by the Company or Temple will not qualify for the dividends-received deduction applicable in some cases to US corporations. Dividends paid in a currency other than the US dollar, including the amount of any non-US taxes withheld, if any, generally, will be includible in the gross income of a US Holder in a US dollar amount calculated by reference to the spot exchange rate in effect on the date such dividend is includible in the US Holder's gross income for US federal income tax purposes. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in the income of the US Holder to the date that payment is converted into US dollars generally will be treated as ordinary income or loss.

A non-corporate US Holder's "qualified dividend income" currently is subject to tax at reduced rates not exceeding 15 per cent instead of ordinary income tax rates up to 35 per cent, provided that such US Holder meets certain requirements, including certain holding period requirements and the absence of certain risk reduction transactions with respect to the Shares. Dividends paid by the Company and Temple will not be treated as qualified dividend income because (1) the Shares will not be traded on an established securities market in the United States and (2) there is currently no income tax treaty between the United States and the Isle of Man or the Cayman Islands.

Disposition of Shares

Upon the sale, redemption or other disposition of the Shares, subject to the discussion below under "Passive Foreign Investment Company Considerations", a US Holder generally will recognise capital gain or loss equal to the difference between the amount realised on the disposition and the holder's adjusted tax basis in its Shares. The basis in an Ordinary Share acquired upon the exercise of a Warrant will equal the US Holder's basis in the Warrant, plus the exercise price paid. Gain or loss recognised by a US Holder

on the sale, redemption or other disposition of its Shares generally will be US source income or loss for US foreign tax credit purposes.

A cash basis US Holder or electing accrual basis US Holder that receives payment in a currency other than the United States dollar upon the sale, redemption or other disposition of its Shares generally will realise an amount equal to the United States dollar value of such currency on the settlement date. Any other US Holder generally will determine the amount realised on the date of disposition and will have additional ordinary foreign exchange gain or loss attributable to the movement in exchange rates between the date of disposition and the settlement date. In addition, any gain or loss resulting from currency exchange fluctuations during the period from the settlement date or trade date (whichever date the US Holder is required to use in calculating the value of the sale proceeds) to the date that payment is converted into US dollars generally will be treated as ordinary income or loss.

Gain or loss upon the disposition of the Shares will be treated as long-term capital gain or loss if, at the time of the sale or disposition, the holding period of the Shares was more than one year. A US Holder's holding period of an Ordinary Share received upon the exercise of a Warrant will commence on the day after the Warrant is exercised. Long-term capital gains realised on the disposition of the Shares by non-corporate US Holders are generally subject to a maximum rate of 15 per cent for taxable years beginning on or before December 31, 2010 and generally subject to a maximum capital gain rate of 20 per cent thereafter. The deductibility of capital losses by a US Holder is subject to limitations.

Warrants

The exercise of a Warrant by a US Holder will not be taxable. A US Holder will recognise gain or loss upon the sale or other taxable disposition of a Warrant in an amount equal to the difference between the amount realised on the disposition and the US Holder's adjusted tax basis in the Warrant, which in general should be equal to the portion of the US Holder's consideration paid in the Placing that is allocated to each Warrant. Such gain or loss will generally constitute long-term capital gain or loss if the Warrant has been held for more than one year. Non-corporate US Holders currently are subject to a maximum tax rate of 15 per cent on long-term capital gains for taxable years beginning on or before December 31, 2010, and generally are subject to a maximum capital gain rate of 20 per cent thereafter. Upon the expiration of an unexercised Warrant, the US Holder will recognise a loss equal to the adjusted tax basis of the Warrant in the hands of the US Holder. Such loss generally will be long-term capital loss if the Warrant was held for more than one year. The deductibility of capital losses is subject to limitations.

Passive Foreign Investment Company Considerations

Special US federal income tax rules apply to US Holders owning shares of a passive foreign investment company, referred to here as a PFIC. A non-US corporation will be considered a PFIC for any taxable year in which, after applying certain look-through rules, 75 per cent or more of its gross income consists of specified types of passive income, or 50 per cent or more of the value of its assets, determined on the basis of a quarterly average, consists of passive assets, which generally means assets that generate, or are held for the production of, passive income. Passive income includes interest (including interest derived by reason of the investment of funds raised in the Placing), dividends, royalties and rents. Foreign corporations whose stock is regularly traded on certain securities exchanges must use the fair market value of its assets in determining whether 50 per cent or more of its assets are held for the production of or generate passive income. Although the law is uncertain as to how the fair market value of the foreign corporation's assets is determined, the legislative history suggests that the fair market value of the foreign corporation's assets may be determined based on its market capitalisation. If the Company or Temple were classified as a PFIC, a US Holder could be subject to increased tax liability upon the sale or other disposition of its Shares or Warrants or upon the receipt of amounts treated as "excess distributions." Under these rules, the excess distribution and any gain on the disposition of the Shares or Warrants would be allocated ratably over the US Holder's holding period for the Shares or Warrants, as applicable. The amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company or Temple, as applicable, was a PFIC would be taxed as ordinary income. The amount allocated to each of the other taxable years would be subject to tax at the highest marginal rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax allocated to such other taxable years. The tax liability with respect to the amount allocated to years prior to the year of the disposition or distribution cannot be offset

by net operating losses. In addition, holders of stock in a PFIC may not receive a ''step-up'' in basis on shares acquired from a decedent.

Based upon the Company's expected income and assets and the activities of its subsidiaries, Temple's expected income and assets (including Temple's contractual right to a carried interest for investment advisory services provided to CEB) and the Company's intended use of the proceeds of the Placing, the Company and Temple do not believe that they will be a PFIC for their taxable years ending 30 September 2007. However, if the IRS were to characterise Temple's carried interest as an equity interest in CEB Cayman instead of a contractual risk, Temple may be considered a PFIC. It is not possible to determine whether the Company or Temple will have become a PFIC for the current taxable year ending 30 September 2007 until after the close of the taxable year. Moreover, the Company and Temple must determine their PFIC status annually based on tests which are factual in nature, and they cannot determine whether they will become a PFIC in the future. While the Company and Temple intend to manage their businesses so as to avoid PFIC status, to the extent consistent with its other business goals, the Company and Temple cannot predict whether their business plans will allow them to avoid PFIC status or whether their business plans will change in a manner that affects their PFIC status determination. In addition, because the market price of the Shares is likely to fluctuate after the Placing and because that market price may affect the determination of whether the Company or Temple will be considered a PFIC, the Company and Temple cannot assure prospective investors that they will not be considered a PFIC for any taxable year.

Even if the Company or Temple were to become a PFIC, the PFIC rules described above will not apply to a US Holder if the U.S. Holder makes an election to treat the Company or Temple as a qualified electing fund, or QEF, in the first taxable year the US Holder owns its Shares. Under current law, a QEF election cannot be made with respect to the Warrants. However, a US Holder may make a QEF election only if the Company or Temple furnish the US Holder with certain tax information. A shareholder of a QEF is required for each taxable year to include in income a *pro rata* share of the ordinary earnings of the QEF as ordinary income and a *pro rata* share of the net capital gain of the QEF as long-term capital gain, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the IRS. A shareholder makes a QEF election by attaching a completed IRS Form 8621, including the PFIC annual information statement, to a timely filed US federal income tax return or, if no federal income tax return is required to be filed, by filing such form with the IRS Center in Philadelphia, Pennsylvania. Even if a QEF election is not made, a shareholder in a PFIC who is a US person must file a completed IRS Form 8621 every year.

As an alternative to making the QEF election, a US Holder of PFIC stock which is publicly traded may in certain circumstances avoid certain of the tax consequences generally applicable to holders of stock in a PFIC by electing to mark the stock to market annually and recognising as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the PFIC stock at such time and the US Holder's adjusted tax basis in the PFIC stock. Losses would be allowed only to the extent of net mark-to-market gain previously included by the US Holder under the election for prior taxable years. This election is available for so long as the Shares constitute ''marketable stock,'' which includes stock of a PFIC that is ''regularly traded'' on a ''qualified exchange or other market.'' Generally, a ''qualified exchange or other market'' includes a national market system established pursuant to Section 11A of the Securities Exchange Act of 1934 or a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and that has certain characteristics. A class of stock that is traded on one or more qualified exchanges or other markets is ''regularly traded'' on an exchange or market for any calendar year during which that class of stock is traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter, subject to special rules relating to an initial public offering. Under current law, a mark-to-market election cannot be made with respect to the Warrants. The Temple Placing Shares are also not expected to be regularly traded on a qualified exchange or other market. In addition, it is not entirely clear whether the AIM is a qualified exchange or other market, or whether there will sufficient trading volume with respect to the Ordinary Shares, and accordingly, whether the Ordinary Shares will be ''marketable stock'' for these purposes. Furthermore, there is no assurance that the Ordinary Shares will continue to trade on the AIM.

The rules applicable to owning shares of a PFIC are complex, and each prospective purchaser who would be a US Holder should consult with its own tax adviser regarding the consequences of investing in a PFIC.

Information Reporting and Backup Withholding

US Holders (other than exempt recipients such as corporations) generally are subject to information reporting requirements with respect to dividends paid on the Shares in the United States or by a US payor or US middleman and with respect to the gross proceeds from disposing of the Shares or Warrants. US Holders generally are also subject to backup withholding (currently 28 per cent for taxable years through 2010) on dividends paid in the United States or by a US payor or US middleman on the Shares and on the gross proceeds from disposing of the Shares or Warrants, unless the US Holder provides an IRS Form W-9 or is otherwise exempt from backup withholding.

The amount of any backup withholding may be allowed as a credit against a holder's US federal income tax liability and may entitle such holder to a refund provided that certain required information is timely furnished to the IRS.

11 Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group and by Usaciga in the two years preceding the date of this document and which are, or may be, material:

11.1 the Placing Agreement, details of which are set out in paragraph 8 above;

11.2 Investment Advisory Agreement dated 13 December 2006 between CEB Cayman and Temple pursuant to which Temple agreed to provide investment opportunities, recommendations and carry out the acquisition of investments on behalf of and for the Group.

Temple will receive a management fee of 2 per cent per annum of the amount invested plus 0.5 per cent of any cash retained by CEB. The management fee will be paid quarterly in arrears, the first such payment being due on 31 December 2006 as a *pro rata* proportion of the current quarter. Temple will also have the right to reimbursement of its expenses (including professional advisers' fees incurred in connection with acquisitions on behalf of the Company). Temple has no ability to commit any member of the Group to make any acquisitions or disposals.

Temple has undertaken to offer opportunities which it is presented with by the Temple Service Providers to the Group where they are compatible with the strategic objectives of the Group. Temple has undertaken to endeavour to ensure that the Group is positioned as a competitive strategic participant in the Brazilian sugar cane sector. Temple is under an obligation to avoid potential conflicts of interest in relation to the provision by it of similar services to other operators in the market place and to ensure that where it is acting for more than one bidder on any proposed project that other Temple Service Providers and Numis lead any negotiations in relation to the project.

The agreement is for an initial term of ten years with a right to extend on 12 month notice periods thereafter. The agreement is subject to certain early termination rights. CEB Cayman may terminate the agreement on 3 months' notice if Temple commits a material breach of the agreement which, if capable of remedy, remains unremedied 30 business days after it is given such notice, or with immediate effect, in the event of TCP's insolvency. CEB Cayman may also terminate the agreement where there is a material breach of any of the underlying service agreements with the Temple Service Providers.

TCP is entitled to a carried interest subject to meeting minimum return. The hurdle is 8 per cent IRR on the total amount of cash returned on invested amounts. If the hurdle has been exceeded then TCP will be entitled to receive a profit share of 20 per cent of the gain generated by the Group.

11.3 The Investment Agreement (the "Investment Agreement") dated 13 November 2006 is made between CEB Cayman, certain members of the Baréa family and Usaciga. Pursuant to the terms of the Investment Agreement, a Brazilian incorporated subsidiary of the Company (the "Investor") will acquire 49 per cent of Usaciga for US$137.4 million. Completion of the Investment Agreement is

conditional only on Admission, consent to the investment being obtained under the Proinfa Agreement and certain other practicalities being accomplished to CEB's satisfaction.

The amount to be subscribed by the Investor will be adjusted following the determination of the net indebtedness position of Usaciga as at 31 December 2006.

A sum of US$18.6 million will be placed in escrow in a retention account on completion of the investment. All or part of US$8.6 million of this sum will be returned to the Investor in the event that a fine is levied under the Proinfa Agreement for late performance under that agreement. The remainder is to be used as an adjustment mechanism against any reduction in the value of Usaciga as a result of sums becoming payable relating to certain identified potential liabilities. The escrow retention monies may also be set off against a claim by the Investor for breach of the warranties or indemnities included in the Investment Agreement. Any remaining loss suffered by the Investor following depletion of the sum held in escrow will be made good by way of certain alternative remedies including the Baréa family making a capital contribution to Usaciga and the transfer of shares from the Baréa family to the Investor.

A sum of approximately US$19.6 million will be extracted from Usaciga on or shortly after completion of the investment and will be distributed to CEB and the Baréa family in proportion to their respective interests in Usaciga.

The Investment Agreement provides for the existing relationship with Consortium Julio Baréa Netto e Outros ("Consortium JBN") to be terminated on or before 1 April 2007. Consortium JBN is owned by the Baréa family. Usaciga and Consortium JBN co-operate in the rural cultivation of sugar-cane growing, harvesting and farming. The relationship will be placed on a more formal footing following the investment by the Investor. In the meantime labour and other services shall be supplied to Usaciga as necessary by Consortium JBN. Prior to termination of the existing relationship with Consortium JBN, its employees will be transferred to Usaciga or their employment terminated; in each case the Investor will be indemnified for any liability arising therefrom.

The Investment Agreement also provides for the benefit relating to certain potential tax credits and other cash payments arising before the date of the Investment Agreement to be transferred to the Baréa family, to the extent that these assets did not form part of the valuation basis for the Investor's investment in Usaciga. Usaciga and the Baréa family have given certain warranties and indemnities to the Investor which relate to Usaciga and certain of its assets. These are usual in their nature and scope for a transaction of this type and size. The warranties and indemnities endure for six years from the date of execution of the Investment Agreement. The Baréa family has also indemnified the Investor against any liability arising following the date of the Investment Agreement in respect of actions or omissions before completion of the investment.

11.4 On completion of the Investment Agreement, a shareholders' agreement in a form agreed under the terms of the Investment Agreement (the "Shareholders' Agreement") will be entered into between, amongst others, holding companies representing the interests of CEB ("A Shareholder") and the Baréa family ("B Shareholder"). The Shareholders' Agreement sets out the terms on which the A Shareholder and the B Shareholder will control Usaciga following the investment made pursuant to the Investment Agreement.

Each of the A Shareholder and the B Shareholder has the right to appoint three directors for an initial period of two years, such appointment then automatically being renewed for successive two year periods. There will be a total of six directors, and the first chairman of the board will be nominated by the B Shareholder. The first chairman shall be nominated by the B Shareholders and will hold office for two years, thereafter, the appointment of the chairman will alternate between the A Shareholder and the B Shareholder for successive one year periods. The chairman will not have a casting vote in the case of an equality of votes.

Issues requiring unanimous board approval are listed in the Shareholders' Agreement and include all matters relating to shares, changing the constitutional documents of Usaciga, appointing and dismissing directors other than by the procedure above, matters relating to granting security and incurring debt, disposing of a material part of Usaciga assets, and entering into contracts outside the ordinary course of business or not on an arm's length basis.

The Shareholders' Agreement also contains provisions governing the business plan, dividend policy and future financing requirements as well as a procedure relating to litigation resolution.

The Shareholders' Agreement contains restrictions on the issue and transfer of shares. New shares to be issued and transfers of existing shares are subject to pre-emption rights in favour of existing members. Transfers of shares are permitted to a shareholder's holding company or subsidiaries, and to relations aged 18 or over of a transferor.

In the event of a deadlock (i.e. where a board or shareholders' meeting is persistently inquorate or unable to resolve an area of disagreement) the matter may be referred to arbitration. If the parties do not agree to arbitration then a buy-out mechanism shall apply in which the parties submit sealed bids, the higher bid having the right to buy the other party's shares at either the bid price or, if higher, a fair value price determined by an independent expert.

If either the A Shareholder or the B Shareholder commits an event of default (i.e. materially breaches its obligations) and the breach causes sufficient harm to Usaciga, the non-defaulting shareholder shall have, ultimately, the ability to acquire shares in Usaciga from the defaulting shareholder equal to the value of the diminution in value of Usaciga caused by the defaulting shareholder's breach. The defaulting shareholder would also effectively be reduced to the status of a "passive investor" by the loss of the majority of its rights and privileges under the Shareholders' Agreement.

11.5 The Administration Agreement dated 13 December 2006 is made between the Company and the Administrator and sets out the terms on which the Administrator has agreed to provide the Company with administrative, registrar and secretarial services for an annual fee of £85,000 plus all reasonable out of pocket expenses. The fee will be subject to review annually. The Administration Agreement is terminable by the Administrator on 90 days' notice or by the Company on three months' notice. The Administrator shall provide or procure the appointment of Philip Scales (a director of the Administrator) as a director and as secretary to the Company and, if required, in succession to him another individual who shall be qualified to act as a director and/or secretary (as the case may be) of an Isle of Man public company. The Company agrees to indemnify the Administrator against liability arising out of its appointment, subject to exclusion in the case of negligence, wilful default, breach of contract, fraud or bad faith on the part of the Administrator or any of its employees.

Philip Scales is a director of the Administrator which is a party to the Administration Agreement.

11.6 The nominated adviser agreement dated 7 December 2006 between the Company and Smith & Williamson Corporate Finance sets out the terms on which Smith & Williamson Corporate Finance has agreed, conditional on Admission, to act as the Company's nominated adviser as required by the AIM Rules. In its capacity as nominated adviser Smith & Williamson Corporate Finance has agreed to provide such advice and guidance to the Directors as to their responsibility and obligations to ensure compliance by the Company on an ongoing basis with the AIM Rules and as the Directors or the Company may reasonably request from time to time. The Company has undertaken to inform and consult with Smith & Williamson Corporate Finance in respect of any relevant transaction and dealing in order that Smith & Williamson Corporate Finance may fulfil its responsibility to the London Stock Exchange as nominated adviser.

11.7 The Brazilian federal government created Proinfa (Program of Incentive to Alternative Sources of Electric Energy) with a view to establishing new forms of production of electric energy, thereby preventing blackouts and contributing to the supply of electric energy in Brazil. It was considered that the energy produced from biomass would be able to complement other forms of energy production.

All contracts relating to the Proinfa program are executed with Centrais Elétricas Brasileiras S.A ("Eletrobrás"), which is a mixed capital corporation (being one in which both private and public entities hold shares). The Brazilian federal government is the controlling shareholder of Eletrobrás, holding more than half of the common and preferred share capital. The Directors believe, on the basis of advice received, that the arrangements entered into with Eletrobrás are entirely standard within the Brazilian electricity sector, and take a form similar if not identical to most if not all other contracts entered into by Eletrobrás in relation to this type of arrangement.

In general in Brazil all administrative contracts (of which the Proinfa Agreement is one example) are subject to public interest rules. For this reason they contain provisions aimed at protecting the public interest, preventing delay or disruptions in the electric energy supply and ensuring the fulfilment of the purposes of the contract.

The Proinfa Agreement is dated 28 December 2004 (as amended by amendment agreements dated 28 July 2005 and 25 November 2005) and is made between Eletrobrás and Usaciga. The Proinfa Agreement relates to the sale to Eletrobrás of electricity produced by Usaciga from Usaciga's biomass thermoelectric power plant to be installed in the city of Cidade Gaúcha in the state of Paraná, Brazil. Usaciga will use sugar cane residue from its sugar processing business to fuel the electricity production. The Proinfa Agreement runs for twenty years from the date that the Power Plant becomes operational (the "Operational Date").

The Proinfa Agreement may be terminated for various reasons. These include failure to comply with the terms of the Proinfa Agreement; where the supply of electricity under the agreed terms has proved to be impossible; where there is a suspension in the supply of electricity without just cause and without prior notice to Eletrobrás; or where Usaciga becomes bankrupt or insolvent. Failure to obtain Eletrobrás' consent to a change in the shareholding in Usaciga is also grounds for termination of the Proinfa Agreement. Usaciga has applied for Eletrobrás' preliminary consent to the change in Usaciga's shareholding which would be effected by the Investment Agreement summarized above. Temple has received assurance from Electrobrás that they would not object to CEB's investment in Usaciga and that Electrobrás will provide written consent to CEB. The Directors understand that following Eletrobrás' formal consent, the same will also be forthcoming from the National Agency of Electric Energy in Brazil ("ANEEL"), which granted Usaciga the authority to generate electric energy.

The purchase of electricity is contingent on the Power Plant becoming operational by the Operational Date. If the Power Plant is not operational by this date, Usaciga will be liable to Eletrobrás for the penalties set out in the Proinfa Agreement as summarised below.

If there is a delay in the commencement of commercial operations of the plant for more than 90 days after the Operational Date, Usaciga shall pay to Eletrobrás from the 91st day an amount equal to 1/275 of the annual value of the Proinfa Agreement corresponding to the amount of electricity contracted for by Eletrobrás over one year (the "Contracted Electricity"). This is in the sum of approximately US$32,000 per day. As stated in paragraph 4.6 of part I of this document, a sum of US$8.8 million will be held in an escrow account against these monies becoming payable.

If there is a delay in the commencement of commercial operations of the plant for more than 365 days after the Operational Date, Usaciga shall pay the penalty amount set out in the paragraph above. In addition, the Proinfa Agreement may be terminated. Upon termination, Usaciga will be liable to pay liquidated damages to Eletrobrás of up to the total amount of the value attributed to the electricity contracted for by Eletrobrás over the 20 year lifetime of the Proinfa Agreement, based upon the daily rate stated above. This amount is also payable if the Proinfa Agreement is terminated due to Usaciga's default under the agreement. Moreover, if Usaciga abandons operation of the plant, Eletrobrás shall be entitled to liquidated damages of double the sum set out above.

In the unlikely event of such damages being payable, the Directors would consider recovering any losses from the Baréa family under its general indemnity. This indemnity ultimately allows for CEB to recover damages up to the value of the Baréa family's total shareholding in the joint venture.

If either Eletrobrás or Usaciga cannot perform its obligations under the Proinfa Agreement due to a *force majeure* event, the Proinfa Agreement will continue in force, but no liability shall be incurred by either party for any failure to perform its obligations as a result of the *force majeure*.

If either Eletrobrás or Usaciga wishes to claim the occurrence of a *force majeure* event, and therefore exempt themselves from liability under the Proinfa Agreement, it must give written notice to the other party within 7 days from the occurrence of the *force majeure* event. The notice should include a detailed evaluation of the event and its consequences. Where a *force majeure* event might cause a delay to the Operational Date, under the Proinfa Agreement Usaciga must give notice of that fact and set a new Operational Date.

Usaciga did not meet the original Operational Date under the Proinfa Agreement owing to changes to the technical specification of the power plant which were beyond the control of Usaciga. Usaciga considers that this constitutes *force majeure*. Usaciga therefore served notice on Eletrobrás and ANEEL applying for the extension of the Operational Date to 2 April 2007 without the imposition of penalty provisions. Eletrobrás' and ANEEL's consents are pending.

The Proinfa Agreement will be terminated without penalty to Usaciga if a *force majeure* event permanently prevents the performance of the obligations under the Proinfa Agreement.

12 Related party transactions

The following related party transactions are transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the period from incorporation of the Company and terminating immediately prior to the date of this document. Each of the transactions was concluded at arm's length.

12.1 The Administration Agreement, which is a related party transaction by virtue of the fact that Philip Scales is a director of the Administrator.

12.2 The Investment Advisory Agreement, which is a related party agreement by virtue of the fact that Marcelo Junqueira is a director of Temple.

13 Working capital

The Directors are of the opinion (having made due and careful enquiry) that the working capital available to the Group will, following the Placing, be sufficient for its present requirements, that is, for at least the period of 12 months from the date of this document.

14 Corporate Governance

It is intended that the Ordinary Shares are admitted to trading on AIM, and therefore the Company is not required to comply with the Combined Code. Nonetheless, the Directors recognise that it is in the best interests of the Company and its Shareholders to follow the Combined Code's principles of corporate governance and risk controls appropriate for a company of its size.

The Combined Code provides that the board of directors of a UK public company should include a balance of executive and non-executive directors, with non-executive directors comprising at least one-half of the board (excluding the Chairman). The Combined Code states that the board should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment.

The Directors support high standards of corporate governance. The Company's Board currently comprises the Chairman (who is non-executive) and five non-executive directors.

The Directors have adopted terms of reference for and will form an audit committee. The Company does not consider it necessary to establish a remuneration and nomination committee as it has no executive directors. The Combined Code requires that all the members of the audit committee and should be independent non-executive directors and the Company fully complies with these requirements.

The audit committee will normally meet not less than twice a year. The audit committee has responsibility for, amongst other things, the planning and review of the Group's annual report and accounts and half-yearly reports and the involvement of the Group's auditors in that process. The committee focuses in particular on compliance with legal requirements, accounting standards and on ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approval of the annual report and accounts and the half-yearly reports remain with the Board.

The terms of reference of the audit committee cover such issues as membership and the frequency of meetings, as mentioned above, together with the role of the secretary and the requirements of notice of and quorum for the right to attend meetings. The duties of the audit committee covered in the terms of reference are: financial reporting, internal controls and risk management systems, whistleblowing internal audit, external audit and reporting responsibilities. The terms of reference also set out the authority of the committee to exercise its duties.

15 Litigation

Save as disclosed in this document, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

16 General

16.1 There has been no significant change in the financial or trading position of the Group since 30 September 2006, the date to which the last accounts of the Group were prepared.

16.2 The estimated costs and expenses of the Placing and Admission (including those fees and commissions referred to in paragraph 8 above) payable by the Company are estimated to amount to approximately £7,800,000 (excluding VAT). The total net proceeds of the Placing will be £92,200,000.

16.3 The total proceeds expected to be raised by the Placing amount to £100,000,000 and the net proceeds of the Placing (following the deduction of the expenses of Admission and the Placing) are estimated to amount to £92,200,000 million.

16.4 The estimated net proceeds of the Placing referred to in paragraph 16.3 above are intended to be used to satisfy amounts payable in connection with the initial investments in Usina (as detailed in paragraphs 11.3 and 11.4 of this Part VI of this document) (approximately £70,102,040) and as consideration for future investments and to meet the general working capital requirements of the Group.

16.5 Save in relation to arrangements with trade suppliers and payments made to professional advisers referred to in this document no person has received, directly or indirectly, from the Company within the 12 months preceding the application for Admission, or entered into contractual arrangements to receive, directly or indirectly, on or after Admission:

16.5.1 fees totalling £10,000 or more;

16.5.2 securities of the Company having a value of £10,000 or more calculated by reference to the Placing Price; or

16.5.3 any other benefit with a value of £10,000 or more at the date of Admission.

16.6 The historical financial information set out in this document relating to the Group has been audited.

16.7 KPMG Audit LLC, chartered accountants regulated by the Institute of Chartered Accountants in England and Wales of Heritage Court, 41 Athol Street, Douglas, Isle of Man, IM99 1HN are the auditors of the Company.

16.8 KPMG LLP has given and has not withdrawn its written consent to the inclusion of its report in Part V of this document, in the form and context in which it appears and has authorised the contents of its report for the purposes of Schedule Two of the AIM Rules. As the offered securities have not been registered under the Securities Act, KPMG has not filed a consent under the Securities Act.

16.9 Nexia is registered in the Regional Council of Accountants of the State of São Paulo, Brazil under number CRC 2 SP 019098/O-1 and its registered office is at Rua Leopoldo C. de Magalhães Jr., 110-2o. andar, zip code 04542-000, São Paulo, SP — Brazil. Nexia is regulated by the Federal Council of Accountants (CFC under the name in Portuguese "Conselho Federal de Contabilidade") and is acting in the capacity as valuation consultant to the Company.

16.10 Numis is registered in England and Wales under number 02285918 and its registered office is at 5th Floor, Cheapside House, 138 Cheapside, London EC2V 6LH. Numis is regulated by the Financial Services Authority and is acting in the capacity as placing agent and broker to the Company.

16.11 Numis has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

16.12 Smith & Williamson Corporate Finance is registered in England and Wales under number 4533970 and its registered office is at 25 Moorgate, London EC2R 6AY. Smith & Williamson Corporate Finance is regulated by the Financial Services Authority and is acting in the capacity as nominated adviser to the Company.

16.13 Smith & Williamson Corporate Finance has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

16.14 Smith & Williamson Limited is registered in England and Wales under company number 4534022 and its registered office is at 25 Moorgate, London EC2R 6AY. Smith & Williamson Limited is regulated by the Institute of Chartered Accountants in England & Wales.

16.15 Smith & Williamson Limited is a member of Nexia International. Smith & Williamson Limited is acting in the capacity of reporting upon the basis of the valuation of the initial portfolio as set out in Part IV of this document.

16.16 Smith & Williamson Limited has given and not withdrawn its written consent to the inclusion of its report in Part IV and inclusion of its name and references to it in the form and context in which they appear. Smith & Williamson Limited has no material interest in the Company.

16.17 There are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

16.18 Save as otherwise disclosed in this document, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.

17. Availability of documents

17.1 Copies of this document will be available free of charge to the public at the offices of Smith & Williamson Corporate Finance at 25 Moorgate, London EC2R 6AY during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) until the date falling one month after the date of this document.

17.2 Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Berwin Leighton Paisner LLP, Adelaide House, London Bridge, London EC4R 9HA up to Admission:

17.2.1 the memorandum of association of the Company and the Articles;

17.2.2 the Warrant Instrument;

17.2.3 the reports and letters prepared by KPMG LLP set out in Part V of this document; and

17.2.4 the report prepared by Smith & Williamson Limited set out in Part IV of this document.

Dated 13 December 2006

PART VII

TERMS AND CONDITIONS OF THE PLACING

1 Introduction

These terms and conditions apply to persons who agree to subscribe for Placing Shares, Warrants and Temple Placing Shares under the Placing (which may include Numis or its nominee(s)).

Each person to whom these conditions apply, as described above, who confirms his agreement to Numis (on behalf of itself and the Company) to subscribe for Placing Shares, Warrants and Temple Placing Shares (an "Investor") hereby agrees with each of Numis, the Registrar and the Company to be bound by these terms and conditions as being the terms and conditions upon which Placing Shares, Warrants and Temple Placing Shares will be issued under the Placing. An Investor shall, without limitation, become so bound if Numis confirms to the Investor its allocation and such Investor returns a completed form of confirmation in the form supplied by Numis (the "Form of Confirmation").

The Investor is referred to the front page of the Admission Document. It is important that the Investor reads and understands the Admission Document before proceeding.

2 Agreement to Acquire Shares

Conditional on (i) Admission occurring on or prior to 18 December 2006 (or such later date as Numis, Smith & Williamson Corporate Finance and the Company may agree (not being later than 29 December 2006)) and (ii) receipt by Numis of the Form of Confirmation mentioned under paragraph 1 above, an Investor agrees to subscribe for, as more particularly described below, at the Placing Price, the number of Placing Shares, Warrants and Temple Placing Shares allocated to such Investor under the Placing as notified by Numis in writing. To the fullest extent permitted by law, each Investor acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights such Investor may have.

3 Payment for Shares

Each Investor undertakes to pay the Placing Price for the Placing Shares issued to such Investor in such manner as shall be directed by Numis. Liability for stamp duty and stamp duty reserve tax is described in Part VI of this document.

In the event of any failure by any Investor to pay as so directed by Numis, the relevant Investor shall be deemed hereby to have appointed Numis or any nominee of Numis to sell (in one or more transactions) any or all of the Placing Shares, Warrants and Temple Placing Shares in respect of which payment shall not have been made as directed by Numis and to have directed Numis to use the proceeds of sale in satisfaction, in whole or in part, of such payment and shall indemnify on demand Numis in respect of any liability for stamp duty and/or stamp duty reserve tax arising in respect of any such sale or sales.

4 Representations and Warranties

By receiving this document and returning a Form of Confirmation to Numis each Investor confirms, represents, warrants and undertakes to Numis (for Numis and on behalf of the Company) on the terms and subject to the conditions set out in this document:

(a) that the exercise by Numis of any rights or discretion under the Placing Agreement shall be within the absolute discretion of Numis and Numis need not have any reference to any Investor and shall have no liability to the Investor whatsoever in connection with any decision to exercise or not to exercise any such right and each Investor agrees that they have no rights against Numis, the Company and any of their respective directors and employees under the Placing Agreement pursuant to the Contracts (Rights of Third Parties) Act 1999;

(b) in agreeing to subscribe for Placing Shares, Warrants and Temple Placing Shares under the Placing, each Investor is relying on this document and not on any information or representation or warranty in relation to the Company or any of its subsidiaries or any of the shares other than as contained in this document;

(c) that neither the Investor nor, as the case may be, his clients, expect Numis to have any duties or responsibilities to the Investor similar or comparable to the duties of "best execution" and "suitability" imposed by The Conduct of Business Source Book contained in The Financial Service Authority's Handbook of Rules and Guidance, and that neither the Investor nor its clients shall be regarded as "clients" (as defined in the FSA's Handbook of Rules and Guidance) of Numis, and that Numis is not acting for the Investor or its clients, and that Numis will not be responsible for providing legal or regulatory protections to the Investor or its clients;

(d) in the case of a person who confirms to Numis on behalf of an Investor an agreement to subscribe for Placing Shares, Warrants and Temple Placing Shares that person represents and warrants that he has the authority to do so on behalf of the Investor;

(e) he is not and is not applying as nominee or agent for, a person who is, or may be, mentioned in any of the sections 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);

(f) he is not a national or resident of the Prohibited Territories (as defined on the front page of the Admission Document) or the United States (unless he is an "accredited investor" as such term is defined in Rule 501(1) under the United States Securities Act 1933, as amended) or a corporation, partnership or other entity organised under the laws of the United States, or any Prohibited Territories and that the Investor will not offer, sell, renounce, transfer or deliver directly or indirectly any of the Placing Shares in the Prohibited Territories or to or for the benefit of any person resident in the United States (subject to certain applicable private placement exemptions) and the Investor acknowledges that the Placing Shares have not been and will not be registered under the United States Securities Act 1933, as amended, and the relevant exemptions are not being obtained from the Securities Commissions of any province of Canada;

(g) he is entitled to subscribe for the Placing Shares, Warrants and Temple Placing Shares comprised in its allocation under the laws of all relevant jurisdictions which apply to such Investor and that such Investor has fully observed such laws, obtained all governmental and other consents which may be required thereunder or otherwise and complied with all necessary formalities;

(h) the Investor has read and understood the information set out on the front page of the Admission Document and is a person of a kind described in paragraph 5 of Article 19 or paragraph 2 of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005;

(i) that he is a person falling within one of the following categories:

(i) persons whose ordinary activities involve them in acquiring, holding, managing or disposing of shares or debentures (as principal or agent) for the purposes of their business; or

(ii) persons who it is reasonable to expect will acquire, hold, manage or dispose of the Placing Shares (as principal or agent) for the purposes of their businesses; or

(iii) a restricted circle of persons whom Numis reasonably believes to be sufficiently knowledgeable to understand the risks involved in accepting the offer constituted by this document; or

(iv) a restricted circle of persons numbering no more than fifty whom it is reasonable to believe will acquire Placing Shares and/or Warrants for investment purposes and not with a view to their imminent resale (the "Fourth Category").

In respect of sub-paragraph (i) above, in the event that applicants for Placing Shares and/or Warrants numbering more than fifty indicate that they wish to be considered within the Fourth Category, such applicants may be rejected at the discretion of Numis so that the total number of applicants applying for Placing Shares and/or Warrants and who state that they so wish to be considered within the Fourth Category shall not exceed fifty; and

(j) if he is a US Person (as defined in Regulation S under the United States Securities Act of 1933, as amended) he acknowledges and agrees to the statements and restrictions described in the section headed "US Transfer Restrictions".

5 Supply and Disclosure of Information

If the Company, Numis or any of their agents request any information about an Investor's agreement to subscribe for Placing Shares, Warrants and Temple Placing Shares, such Investor must promptly disclose it to them.

6 Miscellaneous

The rights and remedies of Numis, the Company and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On application, each Investor may be asked to disclose, in writing or orally, to Numis:

(a) if he is an individual, his nationality; or

(b) if he is a discretionary fund manager, the jurisdiction in which its funds are managed or owned.

All documents will be sent at the Investor's risk. They may be sent by post to such Investor at an address notified to Numis.

Each Investor agrees to be bound by the Articles (as amended from time to time) once the Placing Shares which such Investor has agreed to subscribe for have been issued to such Investor.

The contract to subscribe for Placing Shares, Warrants and Temple Placing Shares and the appointments and authorities mentioned herein will be governed by, and construed in accordance with, the laws of England. For the exclusive benefit of the parties mentioned under paragraph 1 above, each Investor irrevocably submits to the exclusive jurisdiction of the English courts in respect of these matters. This does not prevent an action being taken against an Investor in any other jurisdiction.

In the case of a joint agreement to subscribe for Placing Shares, Warrants and Temple Placing Shares, references to an Investor in these terms and conditions are to each such Investor and the Investors' liability is joint and several.

Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing issued by Numis until such time as the Placing Agreement becomes unconditional in all respects. If the Placing Agreement does not become unconditional in all respects by 29 December 2006, application monies will be returned without interest.

7 Selling Restrictions

Before Admission becomes effective, Investors may only offer, or agree, to or sell any Placing Shares in the United Kingdom:

7.1 to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business; or

7.2 otherwise in circumstances which will not result in an offer to the public in the United Kingdom within the meaning of the AIM Rules.

Dated: 13 December 2006

Local leadership, international markets, developed world governance