THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and the action you should take, you are recommended immediately to seek your own advice from a person duly authorised under the Financial Services and Markets Act 2000 who specialises in the acquisition of shares and other securities.

Application has been made for the admission of the entire issued and to be issued share capital of the Company to trading on AIM, the market operated by the London Stock Exchange plc ("AIM"). It is expected that dealings in the Ordinary Shares will commence on AIM on 23 December 2005. 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. 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 Directors of Reconstruction Capital II Limited, whose names appear on page 7 of this document, accept responsibility both individually and collectively for the information contained in this document. To the best of the knowledge 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 contains no omission likely to affect its import. This document, which constitutes an AIM admission document, has been drawn up in accordance with the AIM Rules. This document contains an exempt offer of transferable securities to the public within the meaning of section 86(1) of the Financial Services and Markets Act 2000 (as amended) and is not required to be issued as a prospectus pursuant to section 85 of the Financial Services and Markets Act 2000 (as amended).

Neither the United Kingdom Listing Authority nor the London Stock Exchange plc has examined or approved the contents of this document. It is emphasised that no application is being made for admission of these securities to the Official List of the United Kingdom Listing Authority. The Ordinary Shares are not dealt on any other recognised investment exchange and no application has been or is being made for the Ordinary Shares to be admitted to any such exchange.

Reconstruction Capital II Limited

(an exempted company incorporated in the Cayman Islands with registration number HL156549)

Placing of 24,421,455 Ordinary Shares of €0.01 each at €1.00 per Ordinary Share and admission to trading on AIM

Nominated Adviser	Broker
GRANT THORNTON CORPORATE FINANCE	**LCF EDMOND DE ROTHSCHILD SECURITIES LIMITED**

Ordinary Share capital immediately following admission to trading on AIM

Authorised			*Issued and fully paid*	
Number	*Amount*		*Number*	*Amount*
100,000,000	€1,000,000	Ordinary Shares of €0.01 each	24,421,555	€244,216

Grant Thornton Corporate Finance, a division of Grant Thornton UK LLP which is authorised and regulated by the Financial Services Authority, is acting as the nominated adviser for Reconstruction Capital II Limited in connection with the Placing and Admission and is not acting for any person other than Reconstruction Capital II Limited and will not be responsible to any person other than Reconstruction Capital II Limited for providing the protections afforded to its clients or for providing advice to any other person in connection with this document. No representation or warranty, express or implied, is made by Grant Thornton Corporate Finance as to any of the contents of this document.

LCF Edmond de Rothschild Securities Limited, which is authorised and regulated by the Financial Services Authority, and which is a member of the London Stock Exchange, is acting exclusively as Broker and as joint placing agent for Reconstruction Capital II Limited in relation to the Placing. New Europe Capital Limited is acting as joint placing agent to Reconstruction Capital II Limited in relation to the Placing. LCF Edmond de Rothschild Securities Limited and New Europe Capital Limited will not be responsible to anyone other than Reconstruction Capital II Limited for providing the protections afforded to clients of LCF Edmond de Rothschild Securities Limited and New Europe Capital Limited or for providing advice in relation to the Placing and Admission.

The Ordinary Shares have not been registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or any other applicable securities laws, and are offered in reliance upon various exemptions therefrom pursuant to sections 3(b), 4(2), and 4(6), and Rule 506 of Regulation D, promulgated under the Securities Act, and under comparable exemptions available under various State Securities laws. However, the United States Securities and Exchange Commission ("Commission") has not determined that the Ordinary Shares are exempt from registration. The Ordinary Shares have not been reviewed, approved or disapproved by the commission or any US State Securities Commission, nor has the Commission or any State Securities Commission passed upon the accuracy, adequacy, completeness or merits of this document. Any representation to the contrary is a criminal offence. Shares acquired by a US Person may not be resold unless they are registered under the Securities Act or unless an exemption from registration is available, and may not be resold or transferred without the consent of the Directors of Reconstruction Capital II Limited.

This document should not be distributed directly or indirectly to any persons with addresses in the United States of America (or any of its territories or possessions) except in transactions exempt from the registration provisions of the Securities Act and other applicable securities laws or to persons with addresses in Canada, Australia, Japan or the Republic of Ireland, or to any corporation, partnership or other entity created or organised, under the law thereof, or in any other country where such distribution may lead to a breach of any legal or regulatory requirements.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

IMPORTANT INFORMATION

The attention of potential investors is drawn to 'Certain Risk Factors' set out on pages 13 to 18 of this document.

No broker, dealer or other person has been authorised by the Company to issue any advertisement or to give any information or to make any representations in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This admission document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. The distribution of this admission document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions.

FOR THE ATTENTION OF UNITED KINGDOM RESIDENTS

Grant Thornton, Rothschild Securities and NEC London, all of which are authorised and regulated by the Financial Services Authority, are advising the Company and no-one else in connection with this issue. Neither Grant Thornton nor Rothschild Securities nor NEC London has approved this admission document for the purposes of the Financial Services and Markets Act 2000 ("FSMA"). This information is confidential and only for distribution (i) at any time, to persons reasonably believed by the Company to be investment professionals within the meaning of paragraph (5) of Article 19 or to high net worth companies or unincorporated associations within the meaning of paragraph (2) of Article 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529), as amended and (ii) prior to Admission, to persons who are qualified investors within the meaning of section 86(7) of FSMA. Outside the United Kingdom (and subject as provided below), this document is only being sent to persons reasonably believed by the Company to be investment professionals or to persons to whom it may otherwise be lawful to distribute it. This document is being supplied to you solely for your information and may not be reproduced, further distributed or published in whole or in part by any other person. As the Shares will be offered to fewer than 100 persons (other than qualified investors within the meaning of section 86(7) of FSMA) per member state of the European Economic Area, there will be no offer of securities to the public within the meaning of section 102B of FSMA. Accordingly, this document is not a prospectus and does not require the approval of the Financial Services Authority.

FOR THE ATTENTION OF UNITED STATES RESIDENTS

The Ordinary Shares have not been and will not be registered under the US Securities Act of 1933, as amended, (the "Securities Act") or with any securities regulatory authority of any State or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act ("Regulation S")). In addition, the Company has not been and will not be registered under the US Investment Company Act of 1940, as amended, (the "Investment Company Act"), and investors will not be entitled to the benefits of that Act. The Ordinary Shares have not 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 offering of Ordinary Shares or the accuracy or adequacy of this admission document. Any representation to the contrary is a criminal offence in the United States and re-offer or resale of any of the Ordinary Shares in the United States or to US Persons may constitute a violation of US law or regulation.

FOR THE ATTENTION OF BELGIAN RESIDENTS

The offering of Ordinary Shares in the Company has not been and will not be notified to the Belgian Banking, Finance and Insurance Commission (Commissie Voor Het Bank, Financie-en Assurantiewezen/Commission Bancaire, Financier et des Assurances). Neither has this admission document been, nor will it be, approved by the Belgian Banking, Finance and Insurance Commission. Accordingly, the Company is not and will not be authorised to conduct a public offering of Shares in or from Belgium and this document does not constitute such an offer. Shares may be offered in Belgium by private placement (i) to no more than 50 persons other than professional investors or professional distributors and (ii) without prejudice to (i) above, to persons investing a minimum of €250,000, in reliance on the limited exemptions contained in Article 4 and also Article 3 of the Royal Decree dated 7 July 1999. This admission document may only be distributed in Belgium to such investors for their own personal use and exclusively for the private placement of Shares.

FOR THE ATTENTION OF FRENCH RESIDENTS

The Company has not been authorised to conduct a public offering (*appel public à l'épargne*) in France within the meaning of Article L. 411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) (the "Code") in relation to the issue or sale of shares in the Company. Accordingly, Shares in the Company may not lawfully be offered or sold to persons in France nor may offering materials be distributed in connection therewith except by authorised persons (i) to qualified investors (*investisseurs qualifiés*) and/or a restricted circle of investors (*cercle restreint d'investisseurs*) investing for their own account and/or to persons carrying out the activity of portfolio management on behalf of third parties (*gestion de portefeuille pour compte de tiers*) in compliance with the provisions of Articles L. 411-2, D. 411-1 and D. 411-2 of the Code and all related provisions of the General Regulations of the *Autorité des marchés financiers* (the "AMF") (*Règlement général de l'AMF*) or (ii) in the circumstances set forth in Article L. 411-2, II of the Code and all related provisions of the General Regulations of the AMF. Neither this admission document nor any other offering document has been or will be submitted for the approval of the AMF. Any subsequent transfer of shares in the Company will be subject to applicable restrictions relating to public offers of securities in France.

FOR THE ATTENTION OF GERMAN RESIDENTS

The information contained herein is confidential and only for distribution to selected persons in Germany. Shares in the Company shall not be offered or advertised publicly or offered similarly in Germany under § 135 of the Investmentgesetz (Investment Act). This document is addressed to named recipients only and does not constitute an offer or advertisement to the public. The named recipient or any other person shall not pass it on or make it available to any third party. Any potential investor is strongly advised to consider possible tax consequences of a potential application of the Investmentsteuergesetz (Investment Tax Act) and is strongly advised to consult his own tax counsel.

FOR THE ATTENTION OF LUXEMBOURG RESIDENTS

The Company has not been and will not be authorised to conduct a public offering in or from Luxembourg by the Commission de Surveillance du Secteur Financier or the Luxembourg Stock Exchange and this admission document or any other document relating to any offer of Shares has not been lodged with either of them. Accordingly, Shares may not be offered to the public in or from Luxembourg and this document does not constitute such an offer. Shares may be offered in Luxembourg via private placement in accordance with Luxembourg law. To the extent this admission document is circulated in Luxembourg it is only to be used in relation to such a private placement of Shares.

FOR THE ATTENTION OF SWISS RESIDENTS

The Company has not been and will not be licensed or authorised by the Swiss Federal Banking Commission (the "SFBC") to publicly offer Shares in Switzerland and neither this admission document nor any other offering document has been or will be submitted to the SFBC for approval. Accordingly, the offer of Shares is restricted to a private placement as defined in Circular Letter N° 2003/1 of the SFBC (the "Circular Letter"). As a result, Shares may only be offered and this document and other materials in respect of an investment in the Company may only be distributed in or from Switzerland to (i) institutional investors (as defined in the Circular Letter) and (ii) a maximum of twenty non-institutional investors per business year. The offer of Shares and the distribution or disclosure of this document or any other document in respect of investing in the Company to persons other than those listed above is strictly forbidden and may contravene Swiss law. **Investors in the Company will not benefit from the protections granted by the Swiss Federal Act on Investment Funds of 18 March 1994 (as amended) or its implementing ordinance of 19 October 1994 (as amended).**

GENERAL

The above information is for general guidance only and it is the responsibility of any person or persons in possession of this admission document and wishing to make an application for Shares to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

Prospective investors should not treat the contents of this admission document as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or

other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this admission document are based on the law and practice currently in force in the Cayman Islands and England and Wales and are subject to changes therein. This admission document should be read in its entirety. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles of the Company.

FORWARD LOOKING STATEMENTS

This document contains forward looking statements. These relate to the Company's future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as "believe", "could", "envisage", "estimate", "intend", "may", "plan", "will" or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts 1, 3 and 4 of this document. The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

CONTENTS

EXPECTED TIMETABLE

Publication of AIM admission document	19 December 2005
Admission of Ordinary Shares to trading on AIM and commencement of dealings	8.00 a.m. on 23 December 2005
Crediting of Euroclear and Clearstream stock accounts in respect of the Ordinary Shares	23 December 2005
Where applicable, definitive share certificates in respect of the Ordinary Shares dispatched by	6 January 2006

Save in relation to the date on which this document is published, each of the times and dates in the above timetable are subject to change. All references to time are to GMT.

PLACING STATISTICS

Placing Price	€1.00
Number of Ordinary Shares being offered	24,421,455
Initial Net Asset Value per Ordinary Share	€0.9565
Market capitalisation at the Placing Price	€24.4 million
Estimated net proceeds receivable by the Company	€23.36 million

DIRECTORS AND ADVISERS

Directors	Howard Ira Golden – *Chairman* Ion Alexander Florescu Franklin Pitcher Johnson Jr. Markus Winkler
Registered Office	c/o Appleby Corporate Services (Cayman) Limited Clifton House 75 Fort Street PO Box 1350 GT Grand Cayman Cayman Islands
Investment Adviser	New Europe Capital SRL 13 Marcel Iancu Street Bucharest, Sector 2 Romania Tel: +40 (0) 2 1316 7660
Investment Manager and Joint Placing Agent	New Europe Capital Limited 33 Marloes Road London W8 6LG United Kingdom Tel: +44 (0) 20 7244 0088
Nominated Adviser	Grant Thornton Corporate Finance Grant Thornton House Melton Street Euston Square London NW1 2EP United Kingdom
Broker and Joint Placing Agent	LCF Edmond de Rothschild Securities Limited Orion House 5 Upper St Martin's Lane London WC2H 9EA United Kingdom
Solicitors to the Company *(as to English law)*	SJ Berwin LLP 222 Grays Inn Road London WC1X 8XF United Kingdom
Solicitors to the Company *(as to Cayman law)*	Appleby Spurling Hunter Clifton House 75 Fort Street PO Box 190 GT Grand Cayman Cayman Islands
Auditors and Reporting Accountant	BDO Stoy Hayward LLP 8 Baker Street London W1U 3LL United Kingdom
Custodian	Societe Generale SA 6 Exchange Place IFSC Dublin 1 Ireland
Administrator, Receiving Agent and Registrar	Euro-VL (Ireland) Limited 6 Exchange Place IFSC Dublin 1 Ireland

DEFINITIONS

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

"Act"	the Companies Act 1985 (as amended)
"Administrator Agreement"	the agreement entered into between the Administrator and the Company dated 19 December 2005, further details of which are set out in paragraph 10 of Part 8 of this document
"Administrator"	Euro-VL (Ireland) Limited
"Admission Date"	the date upon which the Shares are first admitted to AIM
"Advisory Agreement"	the agreement entered into between the Investment Adviser and the Company dated 19 December 2005, further details of which are set out in paragraph 4 of Part 2 of this document
"AIM"	the AIM market of the London Stock Exchange
"AIM Rules"	the rules governing the operation of AIM as published by the London Stock Exchange from time to time
"Annual Buyback Programme"	the programme to use realised profits to effect buybacks of shares by means of an annual tender offer
"Articles"	the memorandum and articles of association of the Company as amended from time to time
"Board" or "Directors"	the directors of the Company
"Business Day"	any day on which banks are open for business on the London market
"Clearstream"	the system of paperless settlement of trades and the holding of shares without share certificates administered by Clearstream
"Company" or "RC2"	Reconstruction Capital II Limited, a company incorporated under the laws of the Cayman Islands, further details of which are set out in Part 1 of this document
"Custodian"	Societe Generale SA
"Custodian Agreement"	the agreement entered into between the Custodian and the Company dated 19 December 2005, further details of which are set out in paragraph 10 of Part 8 of this document
"Euro" or "€"	the currency of the member states of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
"EU"	European Union
"Euroclear"	the system of paperless settlement of trades and the holding of shares without share certificates administered by Euroclear Bank
"FDI"	Foreign Direct Investment
"FSA"	Financial Services Authority
"FSMA"	Financial Services and Markets Act 2000
"GDP"	gross domestic product
"Grant Thornton Corporate Finance"	the corporate finance division of Grant Thornton UK LLP which is authorised in the UK by the Financial Services Authority to carry on investment business

"IMF"	International Monetary Fund
"Investee Company"	a company in which the Company will have an investment
"Investment Adviser" or "NEC Romania"	New Europe Capital SRL, a company incorporated under the laws of Romania with limited liability on 2 November 2005 with registered number 18093932
"Investment Management Agreement"	the investment management agreement dated 19 December 2005 entered into between the Company and the Investment Manager, a summary of which is set out in paragraph 4 of Part 2 of this document
"Investment Manager" or "NEC London"	New Europe Capital Limited, a company incorporated in England and Wales under the Act with limited liability on 11 October 2002 with registered number 4450096
"Investment Team"	the team from time to time, currently comprised of Ion Florescu and including Gelu Tudose, Carmen Seghete and Cornelia Oancea
"Leu" or "Lei"	the lawful currency of Romania
"Leva"	the lawful currency of Bulgaria
"London Stock Exchange"	London Stock Exchange plc
"Neighbouring Countries"	Ukraine, Serbia-Montenegro, Moldova, Croatia, Albania and the Former Yugoslav Republic of Macedonia
"Net Asset Value"	the net asset value of the Company, as determined by the Directors based on guidelines laid down by them, further details of which are set out on paragraph 7 of Part 4 of this document
"Net Asset Value per Share"	the Net Asset Value divided by the number of outstanding shares in the Company
"New Ordinary Shares"	the Ordinary Shares to be allotted pursuant to the Placing, such allotment being conditional on Admission
"Ordinary Shares" or "Shares"	ordinary shares of €0.01 each in the capital of the Company
"Placing"	the conditional placing of the New Ordinary Shares pursuant to the terms of the relevant Placing Agreements
"Placing Agreements"	the conditional agreements, each dated 19 December 2005, between the Company, the Directors, Rothschild Securities and Grant Thornton Corporate Finance and between the Company, the Directors, NEC London and Grant Thornton Corporate Finance relating to the Placing, further details of which are set out in paragraph 9 of Part 8 of this document
"Placing Price"	€1.00 per New Ordinary Share
"Placing Proceeds"	€24,421,455
"Private Equity Programme"	the investment programme to acquire significant or controlling interests in private or listed companies, further details of which are set out in paragraph 6 of Part 1 of this document
"RASDAQ"	Romanian Association Dealers Automated Quotation Electronic Exchange
"RC1"	Reconstruction Capital Plc, a company incorporated under the laws of the Isle of Man
"Registrar"	Euro-VL (Ireland) Limited
"Rothschild Securities"	LCF Edmond de Rothschild Securities Limited

"Shareholders"	holders of Ordinary Shares
"Subsidiary" or "RC2 Cyprus"	RC2 (Cyprus) Limited, a company incorporated under the laws of Cyprus wholly owned by the Company
"$"	United States Dollars, the lawful currency of the United States of America
"Trading Programme"	the programme to make portfolio investments in listed equities as well as fixed income securities, further details of which are set out in paragraph 6 of Part 1 of this document
"UK"	the United Kingdom of Great Britain and Northern Ireland
"US", "USA" or "United States"	the United States of America, its Territories and possessions, any state of the United States of America and District of Columbia and all other areas subject to its jurisdiction

EXECUTIVE SUMMARY

The attention of potential investors is drawn to 'Certain Risk Factors' set out on pages 13 to 18 of this document. The Ordinary Shares are only suitable for investors who understand the potential risk of capital loss and for whom an investment in the Ordinary Shares constitutes part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved in investing in the Company. This information is derived from and should be read in conjunction with the full text of this document.

THE COMPANY

Reconstruction Capital II Limited is a newly incorporated closed-ended Cayman Islands company created to invest in private and listed equity securities and fixed income securities, including convertible and other mezzanine instruments, primarily in Romania and Bulgaria.

INVESTMENT OBJECTIVE AND STRATEGY

RC2 intends to generate returns for its Shareholders through two primary routes: to achieve medium and long term capital appreciation through the investment in and subsequent disposal of significant or controlling stakes in companies, both listed and private, established and/or operating primarily in Romania and Bulgaria (the Private Equity Programme), and to make portfolio investments in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued primarily by Romanian and Bulgarian entities (the Trading Programme).

The Board currently intends in the medium term to allocate its resources between the Private Equity Programme and the Trading Programme in the ratio 70:30. However the Directors will review this policy on an annual basis and will have discretion to alter the allocation of assets between the two programmes. During the initial investment period the Company is likely to allocate a higher percentage of assets to the Trading Programme while the Investment Adviser takes the time necessary to effect investments under the Private Equity Programme.

The main focus of the Company will be investments in Romania and Bulgaria. However, the Company reserves the right to make investments into neighbouring countries, notably Ukraine, Serbia-Montenegro, Moldova, Croatia, Albania and the Former Yugoslav Republic of Macedonia. It is currently anticipated that in the medium term the Company will invest approximately 70 per cent. of its assets in Romania and approximately 30 per cent. of its assets in Bulgaria and Neighbouring Countries.

THE INVESTMENT ADVISER AND INVESTMENT MANAGER

The Company has appointed NEC Romania to advise on the Private Equity Programme and NEC London to manage the Trading Programme. NEC Romania and NEC London are led by Ion Florescu.

Ion Florescu has headed a team of investment professionals advising investment funds in Romania since July 1997 when he set up his first fund, RC1. The net asset value per share of RC1 increased by 179 per cent. from inception to 31 December 2004, which equates to a compound annual growth rate of 14.9 per cent. over a period exceeding seven years. The Company will follow a similar investment strategy to that of RC1. It should be noted that past performance of investments made by RC1 should not be regarded as an indication of the performance of investments to be made by the Company.

ROMANIA AND BULGARIA

Romania and Bulgaria are among the fastest growing economies in Europe, with the Romanian economy registering GDP growth of 8.3 per cent. and the Bulgarian economy GDP growth of 5.6 per cent. in 2004. In 2005, Romanian GDP is expected to grow by 5.0 per cent. and Bulgarian GDP by 5.5 per cent.

Romania's new government, installed in December 2004, has set a strongly pro-business agenda. Corporate and income tax rates have been brought down to a uniform 16 per cent., one of the lowest rates in the region. The Romanian government is committed to continuing with the privatisation of key sectors such as telecommunications, banking, gas production and electricity distribution. Both Romania and Bulgaria are scheduled to accede to the European Union in 2007. The development trajectory created by the accession timetable is supported by a total of over €14 billion in EU funds earmarked for Romania and Bulgaria. FDI into Romania reached a total of $5.1 billion in 2004 while the figure for Bulgaria was $2.5 billion.

The Investment Adviser and Investment Manager believe that investing in Romania and Bulgaria at this time presents a growth opportunity that is no longer available in the more mature Central and East European markets. In particular, the Investment Adviser and Investment Manager believe that there will be investment opportunities generated in a number of areas, such as future privatisations, post privatisation changes of ownership and management, private companies seeking financing for their development and expansion phase, as well as incipient consolidation in certain sectors of the Romanian and Bulgarian economies.

THE PLACING

The Placing comprises an offer by the Company of 24,421,455 New Ordinary Shares to raise net proceeds of approximately €23.36 million. The Placing is being arranged by Rothschild Securities and NEC London in accordance with the terms of the Placing Agreements.

FEES AND EXPENSES

The Investment Adviser and Investment Manager will together receive an aggregate fee of 2.25 per cent. of the Net Asset Value per annum, to be paid monthly in arrears. A performance fee of 20 per cent. of any increase in the Net Asset Value over an annually compounding hurdle rate of 8 per cent. will also be payable as further described in paragraph 4 in Part 2 of this document.

The Company will be incurring costs in connection with the Placing and the application for Admission. These expenses will be met by the Company. Such expenses will include fees payable under the Placing Agreements, registrar's fees, depositary's fees, admission fees, printing costs, legal, advisory and accounting fees and any other applicable expenses. The Directors anticipate that these expenses will be approximately 4.35 per cent. of the gross proceeds of the Placing.

DISTRIBUTION POLICY

The Company's investment objective is focused principally on the provision of capital growth. The Directors do not intend, but reserve the right, to make dividend distributions to holders of Ordinary Shares. The Directors intend to establish the Annual Buyback Programme, whereby profits from realisations made during the year will be used to implement a tender offer to repurchase Ordinary Shares at a price equal to the last published Net Asset Value per Share.

LIQUIDITY

The Company is a closed-end Cayman Islands registered company. An investment in the Shares of the Company is a relatively illiquid investment. The U.S. Securities and Exchange Commission ("SEC") has defined a "private fund" as: (i) relying on Section 3(c)(1) or 3(c)(7) of the Company Act; (ii) permitting investors to redeem their interests in the fund within two years of purchasing them; and (iii) offering interests in the fund based on the investment advisory skills, ability or expertise of the investment adviser. Ordinary Shares in the Company will not be redeemable for the first two years following their purchase if held by US Persons. It is not the intention of the Directors to have the Company fall under the definition of "private fund" as defined by the SEC and they will not trigger such designation by permitting redemptions until after the twenty-four month anniversary of the purchase of the Ordinary Shares. By way of example, the Directors have the authority to repurchase Ordinary Shares. In the event of a tender offer, it is likely that such a tender offer will not include Ordinary Shares owned by U.S. investors.

CERTAIN RISK FACTORS

Investment in the Company constitutes a high risk investment and prospective purchasers of Ordinary Shares should carefully evaluate the factors set out below. Investment in the Company should be regarded as speculative and, given the inherent illiquidity of the Company's proposed underlying assets, should be considered long term in nature and is suitable only for sophisticated investors who understand the risks involved including the risk of a total loss of capital.

RISKS RELATING TO THE COMPANY'S BUSINESS AND STRUCTURE

RC2 is a new company with no operating history

The Company was incorporated on 17 October 2005 and has substantially 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.

RC2 is dependent upon the Investment Team for its future success, particularly Ion Florescu

The Company is dependent on the diligence, skill and network of business contacts of the Investment Team. The Investment Team will evaluate, negotiate, structure, realise, monitor and service the Company's investments. The Company's future success will depend to a significant extent on the continued employment and coordination of the Investment Team, particularly Ion Florescu.

The RC2 business model depends upon the development of strong referral relationships with key contacts of the Investment Team

The Directors expect that RC2 will rely to a significant extent upon informal relationships of the Investment Team to provide the Company with opportunities for investment. If the Investment Team fails to maintain relationships with key contacts, or if RC2 fails to establish strong referral relationships with other contacts or other sources of investment opportunities, the Company will not be able to achieve its investment objective. In addition, persons with whom RC2 and the Investment Team have informal relationships are not obliged to provide the Company with investment opportunities, and therefore, there is no assurance that such relationships will lead to the origination of investments.

The Company may experience fluctuations in its results

The Company may experience fluctuations in its interim operating results due to a number of factors, including the rate at which the Company makes new investments, the interest rates payable on debt capital, the level of expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which it encounters competition in its markets and general economic conditions. Accordingly, results for any period should not be relied upon as being indicative of performance in future periods.

Availability of profits for distribution

There is no guarantee that the distributable profits of the Company will be sufficient to allow share buybacks under the Annual Buyback Programme. The expenses and other outgoings of the Company are likely, at least in the short term, to exceed its income resulting in a reduction of the assets of the Company to the extent of that excess.

No assurance of profitability

The expenses of operating the Company may, at times, exceed the Company's income, thereby requiring that the difference be paid from the Company's capital. The Company's estimated annual operating expenses are higher than those of companies investing exclusively in the securities of Western European issuers, primarily due to the additional time and expense required to identify and evaluate potential investments in Romania, Bulgaria and Neighbouring Countries.

A change to Cayman Islands or Cyprus law could affect the Company's ability to make distributions or to the Company's tax exempt status

Statements in this document concerning the taxation of the Company and the Subsidiary and the taxation of investors in Ordinary Shares are based upon current tax law and practice which is subject to change.

Gearing

The Company may be geared up to a maximum level of 30 per cent. of its gross assets. Although the use of gearing through bank borrowings may increase the returns for Shareholders, it also creates greater potential for loss. This includes the risk that RC2 will be unable to service the interest payments or comply with the other requirements of a loan, rendering it repayable, the risk that available funds will be insufficient to meet required repayments and the risk that existing borrowings will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing borrowings. This will have an adverse effect on the Net Asset Value per Share and the Company's ability to return capital to Shareholders by means of the Annual Buyback Programme.

INVESTMENT RISKS

RC2 may not be able to invest in a sufficient number of investment opportunities of sufficient calibre

There is no guarantee that the investment objectives of the Company will be met and that the Company will be able to invest funds in appropriate investment opportunities. Having excess un-invested cash may affect the Company's ability to return capital by means of the Annual Buyback Programme which will be funded out of realised profits. The Annual Buyback Programme will depend on profitable realisations of the Company's underlying investments which is by no means assured.

The Company may invest in the securities of smaller issuers which are believed by the Investment Team to have growth potential

Investment in such securities may present greater opportunities for growth but also involves greater risk than is customarily associated with the securities of more established issuers. Such issuers may have limited product lines, markets or financial resources, may be subject to more abrupt or erratic market movements than securities of larger companies or broad market indices and may be dependent for their management on one or two key individuals. Securities of such issuers are likely to be less liquid and to offer less disclosure to their investors.

The Company operates in a competitive market for investment opportunities

While the Investment Adviser and Investment Manager consider Romania, Bulgaria and Neighbouring Countries to be less competitive arenas for investment activity than the European Union, it is nonetheless likely that the Company will encounter competition for target investments from other local and international investors. There can be no assurance that the competitive pressures the Company faces will not have a material adverse effect on its business, financial condition and results of operations. Also, as a result of this competition, RC2 may not be able to take advantage of attractive investment opportunities from time to time, and the Company can offer no assurance that it will be able to identify and make investments that are consistent with the Company's investment objective.

Risks associated with hedging arrangements

Although the Company does not intend to hedge against currency and interest rate fluctuations by using standard hedging instruments such as futures, options and forward contracts because such instruments are not widely available and are costly, if suitable hedging instruments become available and are used, they may limit the Company's ability to participate in the benefits of lower interest rates with respect to the hedged portfolio. Adverse developments resulting from changes in interest rates or losses on hedging transactions could have a material adverse effect on the Company's business, financial condition and results of operations.

Gearing

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

GENERAL ECONOMIC, POLITICAL AND ENVIRONMENTAL RISKS

General economic considerations

Investors should note the additional risks associated with investing in emerging markets such as Romania and Bulgaria and Neighbouring Countries. The markets and companies in these countries are exposed to the risks of rapid rates of inflation, high interest rates, currency depreciation and fluctuations and changes in taxation that may affect the Company's income and the value of its investments. The fiscal and monetary system of Romania, Bulgaria and Neighbouring Countries is underdeveloped relative to Western countries and this may affect the stability of the economies of Romania, Bulgaria and Neighbouring Countries and their financial markets.

Delayed accession to the EU

While both Romania and Bulgaria have provisionally completed all negotiation chapters required for accession to the EU, and the accession treaties for both countries have been signed, there is a possibility that the accession of either or both countries will be delayed beyond the scheduled date of 1 January 2007. Under the conditions for accession, if there is clear evidence that there is a serious risk that either Romania or Bulgaria will be manifestly unprepared to meet the requirements of membership by 1 January 2007, the European Commission may recommend to the European Council to postpone accession by one year to January 2008. In the European Commission's monitoring report issued in October 2005 Romania and Bulgaria were notified that although significant progress in preparation for accession had been made, both countries needed to pay more attention to the implementation and enforcement of reforms. In particular both countries need to strengthen the rule of law by improving public administration and the justice system and by fighting corruption effectively. The European Commission has clearly stated that in certain areas of preparation which give cause for serious concern, unless immediate action is taken Romania and Bulgaria will most likely not fulfil their obligations in those areas by 1 January 2007.

Political risks associated with investing in Romania, Bulgaria and Neighbouring Countries

Nationalisation, expropriation or confiscatory taxation, currency blockage, political changes, government regulation, political or social instability or diplomatic developments could affect adversely the Company's investments and, in particular, may result in the loss of such investments. In addition, the Romanian, Bulgarian and Neighbouring Countries' laws governing business organisations, bankruptcy and insolvency provide substantially less protection to security holders such as the Company and the Subsidiary than that provided by the laws of more developed countries. Prior to 1990, Romania, Bulgaria and Neighbouring Countries had centrally planned, socialist economies. The ousting of the old regimes and the election of democratic governments in 1990 marked the beginning of reform towards an increasingly market-oriented economy. Though the process of reform has continued to date, there can be no guarantee that these reforms will continue. The transformation from a centrally planned, socialist economy to a more market-oriented economy has also resulted in many economic and social disruptions and distortions. Moreover, there can be no assurance that the economic and political initiatives necessary to achieve and sustain such a transformation will continue or, if such initiatives continue and are sustained, that they will be successful.

Currency

The Company will hold assets primarily denominated in Lei and Leva. Accordingly, a change in the value of the Leu and/or Leva relative to the Euro will result in a corresponding change in the Euro value of the Company's assets denominated in Lei and/or Leva. There is greater likelihood of currency devaluation, imposition of more severe foreign currency exchange controls, a lack of availability of or access to foreign currency and pronounced currency exchange rate fluctuations occurring in Romania and Bulgaria in relation to the Leu and Leva than in Western Europe in relation to major Western European currencies. The Company is unlikely to hedge currency risks or the risk of fluctuations in the value of the assets of the Company due to the present lack of availability of suitable hedging instruments (such as warrants, futures and options). If suitable instruments become available over time, the Company reserves the right to employ a hedging strategy for such purposes.

Lack of market economy

Until recently, businesses in Romania, Bulgaria and Neighbouring Countries have not had experience of operating within a modern market-oriented economy. In general, relative to companies operating in Western European economies, companies in Romania, Bulgaria and Neighbouring Countries are characterised by (i) management with less experience of market economics; (ii) a lack of modem technology; and (iii) capital bases which may not be sufficient to develop and expand their operations. In

addition, corrupt practices at the level of national and local government as well as in the conduct of business are encountered more frequently than in West-European countries.

Legal system

Romania, Bulgaria and Neighbouring Countries' legal systems relating to market oriented business and investment are relatively less mature than those of more developed countries, which may adversely affect the Company should it wish to take any legal or enforcement action in Romania and/or Bulgaria and/or Neighbouring Countries. The judiciary in Romania, Bulgaria and Neighbouring Countries may be considered to be less independent than in Western Europe and the United States. It should be noted that there may be inconsistencies between new legislation and traditional codified law which can cause difficulties in key areas such as the definition of ownership of securities. Company laws in Romania, Bulgaria and Neighbouring Countries, in particular those regarding the fiduciary responsibilities of directors and administrators (being the term used in Romanian company law to describe the office of a director, as understood in most common law jurisdictions), disclosure and protection of shareholders, continue to evolve and are less stringent than those in many Western jurisdictions.

Further, local laws and regulations are subject to rapid change and contain conflicting and unclear provisions which may affect the Company's proprietary rights in its assets. At present, such legal questions concern such matters as the status of nominee ownership, the transfer of title in securities transactions, and certification of foreign investment.

Changes In Romanian, Bulgarian and Neighbouring Countries' tax and other laws

Laws in Romania, Bulgaria and Neighbouring Countries will continue to evolve. Changes in taxation legislation could affect the amount of income which may be derived, and the amount of capital returned, from the Company's investments. Changes to taxation treaties (or their interpretation) between Romania, Bulgaria and Neighbouring Countries, and countries through which the Company or its subsidiaries invests, may severely and adversely affect the Company's ability to realize income or capital gains. Also, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties. Changes in legislation may also affect the value and marketability of the Company's investments, the level of distributions available to investors, the amount of Euros repatriated to the Company on the exchange of capital, dividends and other income from Lei and Leva to Euros and the timing of payment of distributions to investors. Laws governing taxation will also continue to change and may contain conflicts and ambiguities. Tax reclaims may not be possible in practice, even where technically permitted by law.

Environmental concerns

Historically, Romania, Bulgaria and Neighbouring Countries' enforcement of regulation for the protection of its environment has not matched Western European standards, although new legislation and practice seek to implement more stringent controls and standards. A significant proportion of the countries' environment is badly polluted and will require cleaning up. In due course, this will impose commensurate costs on the local economies, which may have a corresponding impact on the performance of the Company's investments.

RISKS RELATING TO INVESTING IN ROMANIAN, BULGARIAN AND NEIGHBOURING COUNTRIES' SECURITIES

The securities markets in Romania and Bulgaria are in the early stages of their development

The Bucharest Stock Exchange, RASDAQ and Bulgarian Stock Exchange have considerably less trading volume than most Western European exchanges and the market capitalisations of listed companies are small compared to those listed on more developed exchanges in developed markets. The listed equity securities of many companies in Romania and Bulgaria are accordingly materially less liquid, subject to greater dealing spreads and costs and experience materially greater volatility than those of Western European countries. Government supervision and regulation of the Romanian and Bulgarian securities markets and of quoted companies is also less developed than in many Western countries. Due to the relative illiquidity of the Bucharest Stock Exchange, RASDAQ and the Bulgarian Stock Exchange, anticipation of the investment of the proceeds of the Placing may adversely influence the prices paid by the Company in purchasing securities for its portfolio and may affect the speed at which the Company can initially invest those proceeds. This relative lack of liquidity may also make it difficult for the Company to effect an orderly disposal of an investment listed on the Bucharest Stock Exchange, RASDAQ

or the Bulgarian Stock Exchange. The evidence of title of exchange-traded securities in Romania and Bulgaria consists only of electronic book-entries in the depositories and/or registries associated with the exchange.

The market for unlisted securities of Romanian, Bulgarian and Neighbouring Countries' companies is generally less liquid than the market for listed securities of similar Romanian and Bulgarian companies

The market for buying and selling private company securities in Romania, Bulgaria and Neighbouring Countries is substantially less developed than in many Western European countries, and the formalities for transferring shares are lengthy and cumbersome. In addition, company share registers may not always be up to date and may not reflect ownership properly, which may cause delays to the registration of share transfers or loss of investments. It may also prove difficult for the Company to validate its holdings against the records of issuers on a reliable and timely basis. Further, it may be considerably more difficult for the Company to realise the value of an investment in a Romanian, Bulgarian or Neighbouring Countries private company than it would be to realise an investment in a comparable company in Western Europe. In addition there is a high measure of legal uncertainty concerning the rights and duties of market participants with respect to transactions in direct investments. Investment in unlisted securities is more speculative and involves a higher degree of risk and lower level of liquidity than is normally associated with equity investment on established exchanges. The evidence of title of off-exchange or direct investments and accompanying documentation can vary significantly from transaction to transaction and may be the subject of specific negotiation.

Settlement risks associated with the securities markets in Romania and Bulgaria

Because of the absence of a mature securities market in Romania and Bulgaria and a less sophisticated banking and settlement system relative to many Western markets, the settlement, clearing and registration of transactions in securities may in some cases be subject to delay and administrative uncertainties, which may create increased counterparty risk and expense to the Company. Also, securities transactions systems and settlement systems are in their infancy. In particular; (i) the method of settlement of investment transactions, whether on-exchange or off-exchange, varies widely depending on the particular investment transaction; (ii) the law and practice relating to the documentation of investment transactions is not well developed, which may lead to transaction delay or failure; (iii) settlement may involve the use of local agents (including brokers) with whom the Company has had no previous course of business, or in respect of whom the Company has received no recommendation; and (iv) settlement may entail making payment or delivery in advance of countervailing value.

Accounting and disclosure standards

Regulations concerning reporting requirements and accounting and auditing standards for Romanian, Bulgarian and Neighbouring Countries' companies do not afford the same degree of disclosure and investor protection as that afforded by equivalent regulations in the Western markets. Accordingly, the Investment Team will have access to less financial information, and to less reliable financial information, regarding investment candidates and on the Company's investments than would normally be the case in more sophisticated markets.

RISKS RELATING TO THE ORDINARY SHARES AND THEIR TRADING MARKET

AIM

Application will be made for the Ordinary Shares to be admitted to AIM, 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. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the United Kingdom Listing Authority. AIM has been in existence since June 1995 but its future success, and liquidity in the market for the Company's securities, cannot be guaranteed.

No prior trading record for the Company or its Ordinary Shares

Since the Ordinary Shares have not previously traded, their market value is uncertain. There can be no assurance that the market will value the Ordinary Shares at or above the Placing Price or the Net Asset Value per Share. Following Admission the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. The Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. At the same time, share market conditions may affect the Ordinary Shares regardless of the operating performance of the Company. Share market conditions are affected by many

factors, such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply of capital. Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others may be outside the Company's control.

Limited regulatory control

The holders of the Ordinary Shares will not enjoy any protections or rights other than those reflected in the Articles and those rights conferred by law. Neither the Listing Rules of the United Kingdom Listing Authority nor the Principles of Good Governance and Code of Best Practice will apply to the Company.

Shareholders may not be entitled to the takeover offer protections provided by the City Code on Takeovers and Mergers

The City Code applies, inter alia, to offers for all listed public companies considered by the Panel on Takeovers and Mergers to be resident in the United Kingdom, the Channel Islands or the Isle of Man. However, the Panel on Takeovers and Mergers will normally consider a company resident in the United Kingdom, the Channel Islands or the Isle of Man only if it is incorporated in one of those jurisdictions or has its place of central management in one of those jurisdictions. The Panel on Takeovers and Mergers is unlikely to regard RC2 as having its place of central management in the United Kingdom, the Channel Islands or the Isle of Man, in which case the Panel on Takeovers and Mergers would decline to apply the City Code to the Company with the result that Shareholders will not receive the benefit of the takeover offer protections provided by the City Code.

Future issues of Ordinary Shares could dilute the interest of existing Shareholders and lower the price of the Ordinary Shares

RC2 intends in the future to issue additional Ordinary Shares in subsequent offerings. RC2 is not required under the laws of the Cayman Islands or the AIM Rules to offer any such Ordinary Shares to existing Shareholders on a pre-emptive basis. Therefore, it may not be possible for existing Shareholders to participate in such future issues of Ordinary Shares, which would dilute the existing Shareholders' interests in the Company. The issue of additional Ordinary Shares by the Company, or the possibility of such issue, may cause the market price of the Ordinary Shares to decline.

ERISA Risks

The Board intends to use commercially reasonable efforts to cause employee benefit plans subject to the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") and/or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code") and other "benefit plan investors", as defined in the Plan Asset Regulation, to hold in aggregate less than 25 per cent. of the Ordinary Shares and of any other class of equity interests in the Company. The Directors shall use commercially reasonable efforts to restrict transfers of any equity interest in the Company so that ownership of each class of equity interests in the Company by benefit plan investors will remain below the 25 per cent. threshold contained in the Plan Asset Regulation. In this event, although there can be no assurance that such will be the case, the assets of the Company should not constitute "plan assets" for purposes of ERISA and Section 4975 of the Code.

If the assets of the Company were to become "plan assets" subject to ERISA and Section 4975 of the Code, certain investments made or to be made by the Company in the normal course of its operations might result in non-exempt prohibited transactions and might have to be rescinded. If at any time the Board determines that assets of the Company may be deemed to be "plan assets" subject to ERISA and Section 4975 of the Code, the Board may take certain actions it may determine to be necessary or appropriate, including requiring one or more investors to redeem or otherwise dispose of all or part of their Ordinary Shares or terminating and liquidating the Company.

PART 1

THE COMPANY

1. INTRODUCTION

Reconstruction Capital II Limited is a newly incorporated Cayman Island company created to invest in private and listed equity securities and fixed income securities, including convertible and other mezzanine instruments, primarily in Romania and Bulgaria.

2. INVESTMENT OBJECTIVES

Under the Private Equity Programme, the primary objective of the Company is to achieve medium and long term capital appreciation through the investment in, and subsequent disposal of, significant or controlling stakes in companies, both listed and private, established and/or operating primarily in Romania and Bulgaria. In addition, under the Trading Programme, the Company aims to make portfolio investments in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued primarily by Romanian and Bulgarian entities.

3. INVESTMENT RATIONALE

Economic reforms and political stability have transformed Romania and Bulgaria into two of the fastest growing economies in Europe. In 2004, GDP grew by 8.3 per cent. in Romania and by 5.6 per cent. in Bulgaria. In 2005, GDP is forecast to grow by 5 per cent. in Romania whilst GDP is forecast to grow by 5.5 per cent. in Bulgaria. The two countries are scheduled to join the EU in 2007 and have adopted the legal framework necessary for accession to the EU.

Nevertheless Bulgaria and Romania remain poorer than those countries in Central and Eastern Europe which joined the EU in 2004 and even more so than long-standing EU member states. GDP per capita in 2004 was $3,239 in Romania and $3,126 in Bulgaria. The Investment Adviser and Investment Manager believe the economies of the two countries have considerable potential to catch up with the more mature economies of Central and Eastern Europe.

In addition, both countries are well advanced in their privatization programmes, with the state sector representing around 30 per cent. of GDP in Romania and 36 per cent. in Bulgaria. In Romania, the new government which came to power in December 2004 is widely seen as pro-business, and has introduced a flat tax rate for both businesses and individuals of 16 per cent., one of the lowest levels of corporate and personal income tax in the region.

The Investment Adviser and Investment Manager believe that:

- consumption will be the main driver of GDP growth in Romania and Bulgaria in the medium term;
- the region is catching up in key consumer and industrial services;
- infrastructure is still under-developed and requires significant public and private investment;
- privatisation of the utilities is already underway in Romania and Bulgaria; and
- rising incomes and the increasing availability of mortgages is pushing demand for residential real estate.

The Investment Adviser and Investment Manager believe that investing in Romania and Bulgaria at this time presents a growth opportunity that is no longer available in the more mature Central and East European markets. In particular, the Investment Adviser and Investment Manager believe that there will be investment opportunities generated in a number of areas, such as future privatisations, post privatisation changes of ownership and management, private companies seeking financing for their development and expansion phase, as well as incipient consolidation in certain sectors of the Romanian and Bulgarian economies.

4. INVESTMENT ADVISER AND INVESTMENT MANAGER

Under the Private Equity Programme, the Company will be advised by the Investment Adviser, NEC Romania, a company incorporated in Romania and headed by Ion Florescu, on the making, managing and disposing of significant or controlling investments in companies established and/or operating primarily in Romania and Bulgaria.

In addition, the Company has appointed the Investment Manager, NEC London, a company incorporated in England and also headed by Ion Florescu, to manage the Trading Programme on behalf of the Company, primarily in listed Romanian and Bulgarian equities and fixed income securities.

The Investment Team has a strong track record of investing in Romania and has the required combination of financial background and local knowledge necessary to source, structure, negotiate, manage and dispose of private equity investments in the two countries as well as to identify undervalued investments on the Romanian and Bulgarian stock exchanges. Members of the Investment Team have been investing in Romania since 1997, when Ion Florescu established RC1. Further details in respect of the Investment Manager and Investment Adviser are set out in Part 2 of this document.

The Investment Team continues to advise RC1 and its subsidiaries, including the Romanian Investment Fund Limited. However, it is intended that RC1 and its subsidiaries will not engage in any new investment opportunities but will focus solely on follow-on investments within their current investment portfolio.

5. INVESTMENT POLICY

The Board currently intends to allocate its resources in the medium term between the Private Equity Programme and Trading Programme in the ratio 70:30. However, the Directors will review this policy on an annual basis and will have discretion to alter the allocation of assets between the two activities. During the initial investment period the Company is likely to allocate a higher percentage of assets to the Trading Programme while the Investment Adviser takes the time necessary to effect investments under the Private Equity Programme.

The Directors, Investment Advisor and Investment Manager will take steps to ensure that the portfolio of investments is sufficiently diversified to spread the risks of those investments. Accordingly, the Board will not normally authorise any investment in a single Investee Company that is greater than 20 per cent. of the Net Asset Value at the time of effecting the investment and in no circumstances will it approve an investment in a single Investee Company that is greater than 25 per cent. of the Net Asset Value at the time of effecting the investment.

The main focus of the Company will be investments in Romania and Bulgaria. However, the Company reserves the right to make investments in Neighbouring Countries. It is currently anticipated that in the medium term the Company will invest approximately 70 per cent. of its assets in Romania and approximately 30 per cent. of its assets in Bulgaria and Neighbouring Countries.

6. INVESTMENT STRATEGY

Private Equity Programme

Introduction

Under the Private Equity Programme, the Company will seek to invest a portion of its total assets as determined by the Directors in significant or controlling stakes in a number of companies primarily in Romania and Bulgaria. The Company intends to invest in Investee Companies where it believes the Investment Adviser can add value by implementing operational and/or financial restructuring over a 3 to 5 year horizon.

The Investment Adviser will seek to construct a concentrated portfolio of not more than six Investee Companies, although RC2 may invest in more than six Investee Companies if the Board believes it is in the best interests of the Company to do so. Typically, the Company will acquire a minimum 20 per cent. equity stake in each Investee Company, although, if possible, it will seek to obtain voting control of the target. The Investment Adviser and Investment Manager believe that investing in Romania and Bulgaria at this time presents a growth opportunity that is no longer available in the more mature Central and East European markets. In particular, the Investment Adviser and Investment Manager believe that there will be investment opportunities generated in a number of areas, such as future privatisations, post privatisation changes of ownership and management, private companies seeking financing for their development and expansion phase, as well as incipient consolidation in certain sectors of the Romanian and Bulgarian economies.

Investments will typically, but not exclusively, be focused on the following industry sectors:

- consumer plays: retail, consumer services, FMCG distribution;
- other services: financial, communications, logistics, media;
- light infrastructure;

- light manufacturing: consumer products, food; and
- real estate development.

The Company will only make an investment under the Private Equity Programme if the Investment Adviser believes there is a clear exit strategy available, such as trade sale, break up and subsequent disposal of different divisions or assets, or a flotation on a stock exchange.

Investment Process

The Investment Adviser aims to research the Romanian and Bulgarian markets using its business contacts to identify and source attractive private equity investment opportunities. For each potential investment the Investment Adviser intends to present to the Board, the Investment Adviser will prepare a report covering the key aspects of the proposed investment. The Directors will have the power to approve all acquisitions and disposals on behalf of the Company as recommended by the Investment Adviser. In the case of an acquisition, the Investment Adviser will coordinate due diligence on the target company prior to effecting the investment. For each proposed acquisition under the Private Equity Programme, the Investment Adviser will have the ability to retain, if it considers necessary, external accounting, legal, operational and environmental consultants to perform due diligence on the target at the expense of the Company. In the case of a disposal, the Investment Adviser will seek approval from the Board by presenting a detailed report covering the key aspects of the proposed sale. The Investment Adviser will not make any acquisitions or disposals of investments in Investee Companies on behalf of the Company without the approval of the Board.

Value Creation

The Investment Adviser intends to be involved at board level to seek to implement operational and financial changes to enhance returns. As part of its pre-acquisition due diligence, the Investment Adviser will seek to identify specific actions that it believes will create value in the target Investee Company post-acquisition and, where appropriate, will seek to work with third party professionals to develop, in combination with the proposed management team of the target, a value creation plan with clear and identifiable short and medium term targets. These plans are likely to address different parts of the business and will be tailored to reflect the specific challenges of the relevant target company.

It is intended that there are certain elements of an Investee Company for which the Investment Adviser will, where appropriate and wherever possible, take 'hands on' responsibility. Principally, these are:

- the composition of the management team of the relevant Investee Company along with the establishment and management of an appropriate management incentive scheme;
- the financial management and the capital structure of the Investee Company;
- initiatives to dispose of any non-core subsidiaries, divisions or significant assets of the Investee Company;
- initiatives to outsource non-core activities to improve cost efficiency;
- initiatives to execute any acquisitions;
- identifying the exit strategy and ensuring the Investee Company is proactively managed towards the chosen exit, including developing an understanding of the value drivers for the pool of exit routes and the optimum time to dispose of the investment; and
- specific projects identified in the value creation plan which are likely to have a significant impact on the overall value of the business.

Where the Investment Adviser determines that it is appropriate to do so, the senior management team at an Investee Company may be given the opportunity to participate in a management incentive scheme, including share options. Any such management incentive scheme will be based on similar principles to those commonly used in the private equity industry, and will typically only pay out to the management team when RC2 receives a cash return from the Investee Company.

Trading Programme

Under the Trading Programme, the Company will seek to generate short and medium term returns by investing such portion of its assets as determined by the Directors from time to time in listed equities and fixed income securities, including convertible and other mezzanine instruments, issued primarily by Romanian and Bulgarian entities and also by issuers in Neighbouring Countries.

It is currently envisaged that in the medium term the Company will invest 30 per cent. of its assets in the Trading Programme. During the initial investment period the Company is likely to allocate a higher percentage of assets to the Trading Programme while the Investment Adviser takes the time necessary to effect investments under the Private Equity Programme.

The Investment Manager will be responsible for identifying and executing investments and divestments under the Trading Programme. The Trading Programme will differ from the Private Equity Programme in the key respect that the Company will not take significant or controlling stakes in Investee Companies and will typically hold investments for shorter periods of time than investments made under the Private Equity Programme.

The key elements of the Trading Programme investment strategy are as follows:

- *Undervalued equity securities:* the Investment Manager intends to target undervalued equity securities listed primarily but not exclusively on the Bucharest Stock Exchange, RASDAQ and the Bulgarian Stock Exchange. The Investment Manager believes that there are a number of small and medium-sized undervalued companies listed on these exchanges, and intends to exploit their potential for significant value appreciation as more investors focus on the region. The Investment Manager will be able to invest across all sectors when pursuing this strategy. The Investment Manager will aim to pursue a research-led approach to identifying target companies under the Trading Programme and will have access to the resources of the Investment Adviser in order to assemble attractive opportunities. With its local presence in Romania and proximity to Bulgaria, the Directors believe that the Investment Adviser should be well placed to carry out research on the ground into companies which are not necessarily covered by the local brokerage houses.
- *IPOs of newly privatised companies:* the Investment Manager believes that several major state-owned Romanian and Bulgarian companies are likely to be privatised in the medium term, as scheduled by the current governments of both countries. As part of the privatisation process many of these companies may issue shares on the local stock exchanges, and in the Investment Manager's opinion these securities are likely to represent a good investment opportunity.
- *Fixed income securities:* in order to enhance the returns under the Trading Programme, the Investment Manager may invest in the fixed income securities, including convertible and other mezzanine instruments, of issuers in Romania, Bulgaria and Neighbouring Countries.

In addition, until the Company is fully invested, and pending the re-investment or distribution of cash receipts, the Investment Manager will be responsible for the investment of cash in cash equivalents, bank deposits, bonds or treasury securities issued by the governments of EU member states, the United States and their agencies or in local money market funds. The Company may also hedge against interest rate risks or currency risk, by entering into forward interest rate agreements, forward currency agreements, interest rates and bond futures contracts and interest rate swaps and purchase and write (sell) put or call options on interest rates and put or call options on futures on interest rates.

7. DISTRIBUTION POLICY

The Company's investment objective is focused principally on the provision of capital growth. The Directors do not intend, but reserve the right, to make dividend distributions to holders of Ordinary Shares. However, the Directors intend to establish the Annual Buyback Programme, which is an annual share buyback programme whereby profits from realisations made during the year will, where distributable, be used to implement a tender offer to repurchase Ordinary Shares at a price equal to the last published Net Asset Value per Share. Pursuant to this programme, the Company will announce to holders of Ordinary Shares the implementation of the tender offer giving the right to all holders of Ordinary Shares to participate in the repurchase except in relation to US Persons who shall be subject to the restrictions set out in paragraph 8 of Part 4 of this document. In the event that the value of the Ordinary Shares submitted by holders to the Company wishing to participate in the tender offer exceeds the funds available, the Company will purchase Ordinary Shares from holders pro rata. The Directors reserve the right not to launch a tender offer under the Annual Buyback Programme if they consider the profits from realisations in a given year to have been insufficient to implement the Annual Buyback Programme. Except as described above, the holders of the Ordinary Shares will not have the right at any time to require that their shares be redeemed or repurchased.

8. BORROWINGS

The Company will have the power under its Articles to borrow up to an amount equal to 30 per cent. of the Company's Gross Assets (as defined in its Articles). In addition, if an Investee Company, or special

purpose vehicle created by the Company or the Subsidiary in order to effect an investment ("SPV"), borrows against the assets of that individual Investee Company or SPV and such borrowing is without recourse to the Company or the Subsidiary, such borrowing shall not be included in the 30 per cent. limitation on borrowings noted above, whether or not the Company is required to consolidate the assets and liabilities of such Investee Company or SPV at Company level under IFRS accounting rules. The level of debt raised at SPV or Investee Company level as a percentage of the total funding requirement for that investment will vary depending on the perceived ability of the Investee Company to service the debt as well as the conditions of the debt market at the time of the transaction.

9. LIFE OF THE COMPANY

The Company does not have a fixed life but the Articles give Shareholders the opportunity to review the future of the Company at certain intervals. Accordingly, at the annual general meeting of the Company to be held in 2012 and at each second subsequent annual general meeting, it is intended that a resolution be proposed for the Company to continue as presently constituted. If the resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

PART 2

DIRECTORS, INVESTMENT MANAGER, INVESTMENT ADVISER AND ADMINISTRATION

1. DIRECTORS OF THE COMPANY

The Directors are responsible for the determination of the Company's investment objective and policy and have overall responsibility for the Company's activities including the split between the Private Equity Programme and Trading Programme and the approval of any investments made under the Private Equity Programme.

The Directors of the Company are:

Howard Ira Golden (Chairman), aged 59

Mr Golden has been investing in international markets since 1978 and was President of The Brookdale Group Limited, a New York based money management firm from 1994. He specialised in Central and East European markets and was appointed chairman of several investment funds, including the Czech Value Fund, the Kazakhstan Investment Fund and the Romanian Investment Fund Limited ("RIF"). He also served on the boards of the Beta Vietnam Fund and the Bulgarian Investment Fund, and in 1999 he was elected to the Supervisory Board of the Restitution Investment Fund of the Slovak Republic. Since 2003 Mr Golden has served as President of Terra Partners, where he manages the Worldwide Opportunities Fund which has assets of approximately $90 million.

Ion Alexander Florescu, aged 39

Mr Florescu started his investment banking career at Schroders in the City of London and from 1991 he has specialized in the South-East Europe region. In 1991 he joined Charterhouse Bank to manage an advisory firm dedicated to Romania and Bulgaria, and in 1996 he became the Chief Executive Officer of Capital SA, (now renamed EFG Eurobank Finance SA), an investment bank based in Romania founded by a group of Romanian and international financial institutions. In 1997 Mr Florescu established RC1, an investment fund targeting Romania, with an initial capital of $6.3 million. The net asset value per share of RC1 increased by 179 per cent. from inception to 31 December 2004 (the date of the last audited results of RC1), which equates to a compound annual growth rate of 14.9 per cent. over a period exceeding seven years. Owing to the performance of RC1, the team headed by Ion Florescu was able to take over the investment mandates of two additional specialist Romania investment funds: in 2001 the investment team was appointed lead adviser to RIF, a Cayman registered fund then listed on the Irish Stock Exchange, and in 2002 the team was appointed to the role of co-advisor to the Societe Generale Romania Fund Limited ("SGRF"), a fund also then listed on the Irish Stock Exchange. At RIF and SGRF, the main focus of Ion Florescu and his team has been on managing and selling off the assets in an orderly fashion. To date all the investments held by SGRF have been sold and the fund is now being liquidated. RIF has sold the majority of its investments and has put in place a share buyback programme as a means of returning capital to its shareholders. RIF is currently approximately 77 per cent. owned by RC1. Mr Florescu has served on the board of numerous Romanian companies and is currently the non-executive chairman of three Romanian companies: Policolor SA, Rolast SA and EFG Eurobank Finance SA. In addition, Mr Florescu serves on the board of Orgachim JSC, the Bulgarian subsidiary of Policolor SA.

Franklin Pitcher Johnson Jr., aged 77

Mr Johnson was co-founder in 1962 of Draper and Johnson Investment Company, a venture capital company, and became an independent venture capitalist in 1965 as the founder of Asset Management Company, with which he is still associated. Asset Management Company manages two venture capital funds based in Palo Alto, California. Mr Johnson is a director of Amgen and several private companies. He taught a class in entrepreneurship and venture capital at Stanford Business School for 12 years and is still an active member of the faculty. He has served as an adviser to several central and eastern European countries since 1990 in the area of entrepreneurship and privatization. In conjunction with ABN Amro Bank of the Netherlands and a group of entrepreneurs and venture managers of Polish, Czech, and Slovak origins, Mr Johnson helped form a venture investment company, European Renaissance Capital, to invest in and assist new and young companies in Poland and the Czech and Slovak Republics. He also helped form and advised venture funds in Norway, New Zealand and Russia, and Capital SA, an investment bank in Romania.

Markus Winkler, aged 54

Mr Winkler has over 30 years experience in the investment management business. He is the founder and President of Vermogensverwaltung-Gesellschaft Zurich, a fund management business which he established in 1973. Mr Winkler is a founder member and former Vice-Chairman of the Swiss Association of Asset Managers and has been a member of the Ethics Committee since 1990. He is also a founder and board member of the Swiss Investors' Association. Mr Winkler is a director of several investment funds including Charlemagne Capital Russia Value Fund, Discover Investment Company, RC1, RIF and PXP Vietnam Fund.

Conflicts of Interest

Each of Howard Golden, Ion Florescu, Franklin Johnson and Markus Winkler have interests in investment companies that are active in the same region in which RC2 is proposing to invest. Further details of such interests are contained in Part 8 of this document. The Articles require Directors to disclose to the Board the existence of actual and potential conflicts of interest. Directors are prohibited by the Articles from voting on resolutions where a conflict of interest exists.

2. THE INVESTMENT ADVISER

NEC Romania was incorporated by Ion Florescu in Romania on 2 November 2005 with the specific purpose of acting as the Investment Adviser to the Company on its Private Equity Programme and as the adviser to the Investment Manager on the Trading Programme. The Investment Team at NEC Romania comprises Ion Florescu, Gelu Tudose, Carmen Seghete, and Cornelia Oancea. Carmen Seghete joined Ion Florescu to work on RC1 at its inception in 1997. Cornelia Oancea joined Ion Florescu in 2001 primarily to focus on the private equity investments of RIF and SGRF. Gelu Tudose was formerly a principal at Advent International's Romanian office and has recently joined NEC Romania. More details on the key investment professionals comprising the Investment Team are given below.

Ion Florescu, aged 39, is the co-founder and director of NEC Romania and NEC London. Information regarding Mr Florescu is set out above.

Gelu Tudose, aged 38, has 13 years experience in international private equity and banking. During the six years he worked at Advent International, Mr Tudose helped establish the firm's Bucharest office and led Advent's investments in UNO, a packaged bread producer where he served on the Board, and Intercity, a car fleet management company. He was also involved in the merger and management reorganisation of two breweries, Grivita and Haber. He has worked at Eximbank of Romania and ABN Amro, where he worked on Romania's first Eurobond issue, and subsequently at Creditanstalt Equity and Advent International as an investment manager. While at Creditanstalt, Mr Tudose was involved in the sale of Silva, the Romanian brewery.

Cornelia Oancea, aged 30, has worked closely with Ion Florescu since 1998 when she joined Capital S.A. (now renamed EFG Eurobank Finance SA) as an equity analyst. Since 2001 she has worked with Ion Florescu on private equity investments with specific responsibility for the portfolios of RIF and SGRF. Ms Oancea has served on the board of several Romanian companies. As a board member of Comtel Rom, a hotel operator held by RIF, Ms Oancea was closely involved in the company's restructuring programme and the sale of RIF's stake in the company. Currently Ms Oancea is a Board member of Rolast SA, an industrial rubber parts manufacturer, and First Logistics and Distribution SA, a distribution company.

Carmen Seghete, aged 48, has 12 years investment experience in public companies and private equity. Ms Seghete has worked closely with Ion Florescu on RC1 since its inception in 1997 when she joined EFG Eurobank Finance SA specifically to advise RC1 on its investment programme. As such, she has been responsible for identifying investment targets, mainly focussing on the public markets, but has also developed substantial private equity experience, having sat on the boards of 12 Romanian investee companies and one Bulgarian investee company. Ms Seghete has co-ordinated eight acquisitions of stakes in portfolio companies and the exit from six portfolio investments on behalf of RC1. Before 1997, Ms Seghete was the Senior Investment and Financial Officer of Financial Investment Company II, a major Romanian investment fund. As a board member Ms Seghete has been closely involved in the restructuring programmes carried out at Policolor SA, a paints producer, Socep SA, a leading maritime cargo operator in the port of Constanta, and Manpel SA, a leather goods producer. Currently Ms Seghete is a board member of Policolor SA, Socep SA and Braiconf SA.

The Investment Team continues to advise RC1 and its subsidiaries, including RIF. However, it is intended that RC1 and its subsidiaries will not engage in any new investment opportunities but will focus solely on follow-on investments within their current investment portfolio.

3. THE INVESTMENT MANAGER

The Investment Manager, NEC London, is a UK based company established in 2002 to advise on investments in South East Europe and is regulated by the FSA to manage and advise on investments. NEC London has to date performed a number of accounting and administration functions for RC1. The Investment Manager will make trading decisions under RC2's Trading Programme based on advice from the Investment Adviser and will have day to day management of the Company's portfolio investments. The sole investment professional of NEC London will be Ion Florescu. NEC London will work closely with the advisory team of the Investment Adviser.

NEC London is currently owned by its management and by RC1. However, it is intended that shortly after Admission, the Company shall acquire voting control of NEC London, following which NEC London will cease to be regulated by the FSA. Ion Florescu will retain a minority voting stake in NEC London as well as all its non-voting stock, and shall have the option to buy back the voting shares of NEC London at their book value on cessation of the Company or on NEC London re-acquiring a licence from the FSA to perform investment business.

4. ADVISORY AND INVESTMENT MANAGEMENT AGREEMENTS

Under the terms of the Advisory Agreement, the Investment Adviser shall advise the Company on the acquisition and sale of investments and exit strategies and opportunities in respect of the Private Equity Programme with a view to achieving the Company's investment objective and strategy.

Under the terms of the Investment Management Agreement, the Investment Manager will manage the part of the Company's assets allocated to the Trading Programme in accordance with the Trading Programme's investment objective and strategy.

As consideration for the services to be provided under the Advisory Agreement and Investment Management Agreement, the Company will pay to the Investment Adviser and the Investment Manager (a) an annual management fee equal in aggregate to 2.25 per cent. of the Net Asset Value (pro rata for partial periods), which shall accrue and be payable monthly in arrears; and (b) an annual performance fee equal in aggregate to 20 per cent. of any increase in the Net Asset Value in excess of the Base Net Asset Value (adjusted to reflect any dividends or share buy backs, but before the deduction of any accrued management fee and performance fee) and be payable annually in arrears (pro rata for partial periods). The "Base Net Asset Value" is the greater of the Net Asset Value at the time of issue of the Shares and the highest Net Asset Value based on which a performance fee is paid in any prior calendar year ("Prior High Net Asset Value") plus an additional annually compounding hurdle rate of 8 per cent. The Company shall pay or reimburse the Investment Adviser or Investment Manager (as applicable) in respect of all of its costs and expenses (including reasonable travel expenses) incurred in connection with the performance of its duties.

The services of each of the Investment Adviser and the Investment Manager are not exclusive and each shall be free to render similar services to others so long as its duties to the Company are not impaired by doing so. Nevertheless, the Investment Adviser and Investment Manager each undertake that whilst the Company is in existence, they will not establish other funds with similar investment objectives and strategy as the Company for two years from Admission or until at least 75 per cent. of the Company's portfolio is committed to investments or transactions, whichever is earlier.

The Advisory Agreement and Investment Management Agreement may be terminated by any party giving not less than 12 months' notice in writing provided that if the Net Asset Value of the Company falls below €5,000,000 for a period of more than one calendar month, the Company may terminate either Agreement with 6 months' written notice. The Advisory Agreement and the Investment Management Agreement are also capable of summary termination in certain circumstances, including the occurrence and continuance of a material breach of the terms of the agreements and the occurrence of an insolvency event in respect of the Company, the Investment Adviser or Investment Manager, respectively.

Neither the Investment Adviser nor the Investment Manager nor any of their respective directors, officers, employees, agents and delegates shall be liable to the Company or otherwise for any error of judgment or for any loss suffered unless such loss arises from either gross negligence, fraud, bad faith or wilful default on the part of the Investment Adviser or Investment Manager respectively in the performance or non-performance by it of its duties and obligations. Furthermore, the Company agrees to hold harmless and indemnify the Investment Adviser and Investment Manager and any appointed delegate against all losses, actions, proceedings, claims, costs, demands and expenses which may be brought against, suffered or incurred by the Investment Advisor or Investment Manager or any appointed delegate unless such loss is

as a result of the gross negligence, fraud, bad faith or wilful default of either the Investment Advisor or Investment Manager or that of any delegate.

5. THE ADMINISTRATOR

Euro-VL (Ireland) Limited has been appointed by the Company to act as administrator, registrar and receiving agent to the Company with effect from, and conditional upon, Admission under the terms of the Administration Agreement. Further details of the Administration Agreement are set out in paragraph 10(v) of Part 8 of this document.

6. THE CUSTODIAN

Societe Generale SA has been appointed by the Company to act as custodian with effect from, and conditional upon, Admission under the terms of the Custodian Agreement. Further details of the Custodian Agreement are set out in paragraph 10(vi) of Part 8 of this document.

PART 3

THE INVESTMENT CASE FOR ROMANIA AND BULGARIA

The Investment Adviser and Investment Manager believe that in their current state of economic development, Romania and Bulgaria represent attractive markets for international investors. Gathering momentum in the implementation of market-oriented reforms over the past five years combined with increasing political stability have taken these two countries from being relative laggards compared to other Central and Eastern European economies to being amongst the fastest growing economies in the region. In 2004 Romanian GDP grew 8.3 per cent. while Bulgaria's economy saw growth of 5.6 per cent. Strong growth is set to continue in 2005. According to the IMF, in 2005 the Romanian economy is forecast to grow by 5.0 per cent. and the Bulgarian economy by 5.5 per cent. The Directors believe that with EU accession scheduled for both Romania and Bulgaria in 2007 and a strong growth trajectory supported by EU funding, the investment environment in these two countries will generate attractive investment opportunities. The Directors believe that the Investment Adviser, with its locally-based team, will be in a good position to take advantage of these opportunities.

ROMANIA

The following macro-economic and political factors are of particular relevance in considering the attractiveness of investing in Romania:

Slow start to economic reform following the 1989 revolution

During the 1990s Romania's economic development was held back by slow reform. The period was characterised by a series of governments unable to hold on to power for more than a few years and hesitant attempts at dismantling the inherited structures of the country's highly centralised economy. Between the fall of the Communist regime in 1989 and 1992, Romanian industrial production suffered a 54 per cent. decline as demand for Romania's products from its traditional Comecon trading partners collapsed together with the availability of raw materials from the former Soviet Union. During the gradual transition to a market economy, Romania suffered from a period of hyperinflation in the early 1990s. Despite a dip in the inflation rate in 1995 the slow pace of reform meant that at the end of the 1990s Romania was still suffering from high levels of inflation. It was only at the beginning of the current decade that tighter monetary policy and greater control over the fiscal deficit led to the stabilisation of the Romanian economy and a sustained decline in the rate of inflation until the present day. In 2004 inflation in Romania fell below 10 per cent. to 9.3 per cent.

Restructuring the economy started in earnest in 2000

The re-election of the Social Democratic Party, made up of former Communists, and President Ion Iliescu in 2000 marked a shift towards greater political stability and a commitment on behalf of the government to speed up the introduction of market reforms. Political focus also shifted to Romania's accession to the EU, discussions for which started in 1999. During Ion Iliescu's presidency from 2000 to 2004 there was an acceleration in the pace of privatisation of major state enterprises. Major transactions included the sale of Romania's giant loss-making steel producer Sidex to LNM and the sale of a controlling stake in Petrom, the state-owned fully integrated oil company, to OMV. Romania signed a stand-by agreement with the IMF for $431 million in 2001 and reached its successful completion in 2003, the first time it had done so since the 1989 revolution. In addition, fiscal prudence began to have a significant positive effect on the government deficit, which fell from 4 per cent. of GDP in 2000 to 1.2 per cent. of GDP in 2004, comfortably below the maximum of 3 per cent. of GDP allowed under EU accession rules.

As a result of the liberalisation measures taken since the 1989 revolution, in 2004 the Romanian economy was declared by the EU to function as a market-oriented economy open to foreign investors and integrated into the world economy. A good measure of this is the share of the private sector in Romania's GDP, which grew from 26.4 per cent. in 1992 to 69.1 per cent. in 2003. The country has also successfully re-oriented its exports away from other former Communist states, and 74 per cent. of all exports went to the EU in 2004. Restructuring and privatisation of the banking sector is far advanced with 70.4 per cent. of total banking capital currently in private hands. Romania's stock of FDI is growing and this has also played an important role in restructuring corporate Romania, integrating Romanian companies into the international production network. From 2000 to 2002 FDI inflows amounted to some $1 billion per annum, but rose to $1.6 billion in 2003 and to $5.1 billion in 2004. Although much of this is explained by large privatisation deals, the Investment Adviser and Investment Manager believe that Romania has become an attractive destination for overseas companies to invest.

GDP growth

Following the economic instability of the 1990s, Romania's GDP is now seeing good growth. The turnaround came with GDP growth of 2.1 per cent. in 2000, accelerating to 5.1 per cent. in 2002 and reaching 8.3 per cent. in 2004. Growth in 2005 is forecast at a robust 5.0 per cent. One major factor fuelling Romania's GDP growth rates has been strong consumption growth on the back of rapid expansion in consumer credit, albeit from a low base. Consumer confidence is further underpinned in 2005 by the higher level of disposable income generated by the lower uniform rate of income tax introduced by the new government in December 2004.

The EU accession schedule is on track

Romania completed all 31 chapters of EU legislation under the Community acquis in December 2004, and the accession treaty with the EU was signed in April 2005. Romania, together with Bulgaria, is due to accede to the EU on 1 January 2007 provided the two countries carry out reforms to their judicial and administrative systems as well as increase measures to combat corruption. The three main EU assistance programmes allocated more than €4.8 billion to Romania during the period from 1990 to 2004, and the EU has earmarked a further €10 billion in funds to be deployed between 2007 and 2009.

The new government has adopted a strongly pro-business agenda

In the December 2004 presidential elections the Romanians decided to vote in favour of further reform. The presidential candidate representing the Social Democratic Party was widely expected to win the contest but was beaten in a second round by Traian Basescu, the reformist mayor of Bucharest. Basescu went on to appoint a new government consisting of politicians who from the outset demonstrated their pro-business stance. The government's first key decision was to introduce a flat income and corporate profit tax rate of 16 per cent., one of the lowest levels in the region and aimed at giving a significant boost to Romania's relative attractiveness as a destination for overseas investment capital. The government's economic programme also includes the privatisation of Romania's remaining state owned banks, BCR and CEC, assets in the power sector as well as the sale of the state's remaining stake in RomTelecom, the telephone utility.

Romanian Capital Markets

There are two organised securities markets in Romania, both electronic: the Bucharest Stock Exchange (BSE), and the Romanian Association Dealers Automated Quotation (RASDAQ) Electronic Exchange. These two exchanges are due to merge. Some unlisted securities are traded through the BSE. The Romanian capital markets are regulated by the National Securities Commission ("NSC"). The BSE resumed operations in 1995 after 47 years of inactivity and at the end of June 2005 had 61 listed companies with a total market capitalisation of €11 billion. Average daily traded volume for the six months to June 2005 was €7.4 million. As at the end of June 2005 the RASDAQ market had 3,735 listed companies with a total market capitalisation of €2.0 billion. Average daily traded volume for the six months to June 2005 was €1.1 million.

BULGARIA

The following macro-economic and political factors are of particular relevance in considering the attractiveness of investing in Bulgaria:

Bulgaria suffered a similar economic collapse to Romania following the fall of the country's Communist regime in 1989 and the loss of the former Soviet market, to which the Bulgarian economy was closely tied. Despite some progress in bringing down inflation in 1995 and a return to positive economic growth, overconfidence led to poor macroeconomic management and a loosening of financial policy. The stalling of reforms and loose monetary policy in the second half of 1995 led to a crisis in the banking system as poorly capitalised banks faced localised runs. The central bank supplied liquidity to effectively insolvent banks which spilled over into the foreign exchange market and in turn led to a collapse in the value of the Bulgarian Leva. The ensuing economic programme backed by an IMF stand-by loan included a currency board fixing the Leva to the German mark (and subsequently the Euro) which succeeded in reducing three-digit inflation in 1997 down to 11.3 per cent. by 2000. Having dipped as low as 3.8 per cent. in 2002 inflation reached 4.0 per cent. in 2004.

The economy has largely been liberalised and the privatisation of major state assets is advanced

The economic programme between 1996 and 1997, introduced in the wake of the financial crisis, was aimed at stabilising the Bulgarian economy, creating conditions for growth and forging an open market

economy. Prices and foreign trade were liberalised and state-owned enterprises were privatised and restructured, resulting in a burgeoning private sector, which in 2003 accounted for 64 per cent. of GDP. Measures were introduced to attract foreign investment and the stock of foreign debt was reduced. Success was also seen in the reduction of the government deficit, which in 2004 turned into a surplus of 1.7 per cent. of GDP. Major privatisations include the sale of Neftochim, a refinery and petrochemicals producer, to Lukoil; the purchase by Unicredito Italiano of Bulbank, Bulgaria's second largest commercial bank in 2000; and the sale of a controlling stake in Bulgarian Telecom in 2004 to Advent International. GDP growth began to turn around in 1998 with an increase of 3.5 per cent., and since 2000 the economy has been growing consistently above 4 per cent. GDP growth in 2004 came in at 5.6 per cent. and is expected to continue at a similar level in 2005. As in the case of Romania, domestic demand fuelled by rapid credit growth is an important factor in Bulgaria's current strong economic performance.

Bulgaria is due to accede to the EU together with Romania in 2007 having completed all the negotiation chapters in June 2004. The EU currently gives Bulgaria some €400 million per annum in assistance and has earmarked more than €4 billion in funds for the period between 2007 and 2009. Further funding for the 2004 to 2006 economic programme is available from Bulgaria's new stand-by agreement of $150 million with the IMF, the first disbursement of which was made in May 2005.

From 2001 until the elections in 2005, Bulgaria was ruled by a coalition government headed by the Simeon II National Movement (SNM). The SNM is led by Simeon Saxe-Coburg Gotha, the former king of Bulgaria, and is a centrist party advocating liberal policies while pushing for accelerated EU accession. Elections held in Bulgaria in June 2005 produced a mixed signal. The incumbent SNM was removed from power after it won 22 per cent. of the vote, but, as the opposition Coalition for Bulgaria led by the Bulgarian Socialist Party (BSP) gained 34 per cent. of the total, it succeeded in forming a government only in coalition with the SNM and the ethnic Turkish party. Although the BSP may push for greater government spending compared to the SNM, in terms of the main issue facing the country, that of EU accession, the BSP is in favour of completing the requirements for EU accession. Mr Stanishev, the leader of the BSP and prime minister, has also said that he will step up the fight against corruption and organised crime. While the coalition may not last the full term, there is strong political will across the spectrum to complete the measures required for EU accession.

The Capital Markets

The Bulgarian Stock Exchange resumed operations for the first time since its closure following the Second World War in 1991 and is regulated by the Financial Supervision Commission. As at the end of June 2005 there were 333 companies listed on the exchange with a total market capitalisation of €4.3 billion. Average daily traded volume on the exchange over the six months to June 2005 was €5.1 million.

PART 4

OTHER INFORMATION

1. ANNUAL EXPENSES

Formation and Initial Expenses

The formation and initial expenses of the Company are those that are necessary for the incorporation of the Company, and in order to effect the Placing and Admission. These expenses will be met by the Company and will be paid on or around Admission. Such expenses will include fees payable under the Placing Agreements, Receiving Agent's fees, Registrar's fees, admission fees, printing, advertising and distribution costs and legal and accounting fees and any other applicable expenses. The Directors anticipate that these formation and initial expenses will be approximately 4.35 per cent. of the Placing Proceeds.

Ongoing and Annual Expenses

The Company will also incur ongoing and annual expenses. These expenses will include, amongst others, the fees payable to the Investment Adviser and the Investment Manager, the Administrator, the Custodian, the UK Transfer Agent and the Non-executive Directors (each such Director will initially be paid a fee of €25,000 per annum). Other ongoing operational expenses of the Company will be borne by the Company including, among others, interest payments, bank fees, regulatory fees, legal fees, insurance costs, audit fees and other expenses. It is estimated that the total expenses of the Company for the first financial year ending 31 December 2006 (excluding the initial expenses of the Company) are not expected to exceed 3.57 per cent. per annum of the Net Asset Value of the Company at the date of Admission.

2. STRUCTURE

Investments in Romania and Bulgaria will be made by the Company through its wholly owned subsidiary, RC2 (Cyprus) Limited, a company incorporated, managed and controlled under the laws of Cyprus in order to benefit from certain tax advantages, in particular relating to capital gains tax in Romania or Bulgaria, afforded under the relevant tax treaties between Cyprus and Romania and Bulgaria respectively.

It is possible that some investments under the Private Equity Programme may be acquired through a new special-purpose Cyprus subsidiary formed for the sole purpose of making the acquisition of a particular Investee Company and then holding it.

Under current Cayman Islands law, no tax will be charged in the Cayman Islands on profits or gains of the Company and dividends of the Company may be paid to Shareholders resident in or outside the Cayman Islands without deduction of tax. No stamp duty is levied in the Cayman Islands on the transfer or redemption of Ordinary Shares. An annual registration fee will be payable by the Company in the Cayman Islands.

There is no taxation on profits arising from the disposal of securities for companies that are resident in Cyprus. Dividend income from Cyprus and abroad is wholly exempt from income tax. Dividends received from aboard will be exempt from special contribution for defence tax provided more than 1 per cent. of the shares of the foreign company paying the dividend are held by the Cyprus Company. This exemption does not apply if the foreign company paying the dividend:

a) Carries on more than 50 per cent. investment activities giving rise to investment income; and

b) The foreign tax burden on the profits of the foreign company is significantly lower than the Cyprus tax burden (in practice lower than 5 per cent.).

Any dividends which satisfy both of the above conditions are subject to 15 per cent. special contribution for defence. In cases where defence contribution tax applies, any tax withheld in the foreign company can be used to reduce the tax to be paid in Cyprus.

At the date of this document, there is no exchange control in the Cayman Islands or Cyprus.

Romanian companies are subject to Romanian profit tax on their activities. The normal current rate of Romanian profit tax is 16 per cent. Some Romanian companies may have more favourable tax treatment granted under incentive schemes.

Dividends paid by Romanian companies are presently taxed at the rate of 10 per cent. From 1 January 2006 the tax on dividends paid by Romanian companies is expected to be increased to 16 per cent.

Where the shares in a Romanian company are sold by a company resident in Romania for tax purposes, the resulting income is taken into account in calculating the seller's taxable profit (different rules apply where such shares are sold by natural persons resident in Romania for tax purposes).

A double tax treaty is in force between Romania and Cyprus. Pursuant to this, dividends paid by a Romanian company to a Cypriot company which is not resident in Romania for tax purposes will normally be taxed in Cyprus. Where such dividends are however taxed in Romania, such tax may not exceed 10 per cent. of the gross value of the dividends. Further, where investment income from the sale of shares in a Romanian company is derived by a Cypriot company, which is not resident in Romania for tax purposes and has a Cypriot fiscal residence certificate, such investment income will be subject to tax in Cyprus rather than in Romania.

Bulgarian companies are subject to Bulgarian profit tax on their activities. The current rate of Bulgarian profit tax is 15 per cent. Bulgarian legislation provides for more favourable tax treatment on successful application by Bulgarian companies operating in regions with an unemployment rate of more than 50 per cent. and which satisfy certain other conditions.

At present, dividends paid by Bulgarian companies are normally taxed at the rate of 7 per cent. Special rules apply on dividends paid to a Bulgarian holding company. Dividends paid by a Bulgarian company to a Cypriot company which is not resident in Bulgaria for tax purposes should benefit from the relevant double taxation treaty, as mentioned below.

Gains or profits made from the sale of shares in Bulgarian companies which are sold on a recognised Bulgarian stock exchange are not currently subject to tax in Bulgaria.

Gains or profits made by a legal entity from the sale of shares in Bulgarian companies which are not sold on a recognised stock exchange in Bulgaria are subject to a tax of 15 per cent. calculated by reference to positive differences between the acquisition price and the disposal price of such shares.

A double tax treaty is in force between Bulgaria and Cyprus. Pursuant to this, dividends paid by a Bulgarian company to a Cypriot company, which is not resident in Bulgaria for tax purposes and which has a Cypriot fiscal residence certificate, may be taxed in Cyprus rather than in Bulgaria (and any such tax levied in Bulgaria is subject to limits set out in the double tax treaty). Further, where investment income from the sale of shares in unlisted Bulgarian companies is derived by a Cypriot company, which is not resident in Bulgaria for tax purposes and which has a Cypriot fiscal residence certificate, such investment income will be subject to tax in Cyprus rather than in Bulgaria.

3. SHAREHOLDER INFORMATION

The Company's annual report and accounts will be prepared under International Financial Reporting Standards up to 31 December each year after 2005 with the first accounting period of the Company ending on 31 December 2006, and it is expected that copies of the report and accounts will be sent to Shareholders within six months of the year end date. In addition, the first unaudited interim report of the Company will be prepared up to 30 June 2006 and is expected to be dispatched on or before 31 August 2006. After 2006, Shareholders will receive an unaudited interim report covering the six months to 30 June each year, which is expected to be dispatched within three months of that date each year.

The Net Asset Value per Share will be published monthly through a regulatory information service provider to the London Stock Exchange as soon as practicable after the end of the relevant month. It is expected that the first Net Asset Value per Share following Admission will be calculated as at 31 January 2006.

4. CURRENCY ISSUES

The Directors anticipate that the Company's investments will predominantly be made in Euro, Lei and Leva and that the return on the investments will also be in the same currencies. Any distributions made to Shareholders will be paid in Euros. The base currency of the Ordinary Shares for accounting purposes will be the Euro.

5. REPURCHASE OF ORDINARY SHARES

If Ordinary Shares are trading at a discount to their Net Asset Value per Share (based on the latest published Net Asset Value per Share) the Company may purchase Ordinary Shares for cancellation. The purchase of Ordinary Shares on this basis may address the imbalance between supply and demand indicated by the presence of a discount, and would be beneficial to the Net Asset Value per Share of the remaining Ordinary Shares. The Directors will have the authority to repurchase the Ordinary Shares immediately following Admission. There is no present intention to exercise such authority. Any repurchase of Ordinary Shares will be made subject to the laws of the Cayman Islands and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and the making and timing of any repurchase will be at the absolute discretion of the Board, and not at the option of the Shareholders. Purchases of Ordinary Shares will only be made through the market for cash at prices below the latest published Net Asset Value per Share where the Directors believe such purchases will enhance Shareholder value.

6. FURTHER ISSUES OF ORDINARY SHARES

The Directors will have authority to allot the authorised but unissued share capital of the Company following Admission on a non-pre-emptive basis. Such authority shall only be exercised at a subscription price which is not less than the Net Asset Value per Share.

7. VALUATION POLICY

The Net Asset Value per Share, expressed in Euros, will be determined by the Administrator and will be published monthly. In all cases, the Net Asset Value per Share will be determined by dividing the Net Asset Value on the valuation date by the total number of Shares outstanding at that date.

The Net Asset Value shall be calculated by aggregating the value of the securities owned or unconditionally and irrevocably contracted for by the Company with the value of the other assets of the Company and deducting therefrom the liabilities of the Company (which shall where appropriate be deemed to accrue from day to day).

In calculating the Net Asset Value, the Administrator will comply with applicable International Financial Reporting Standards ("IFRS"). However, in the event the Company acquires a controlling shareholding in an investment, it will continue to value this investment at fair market value as if it were preparing separate financial statements rather than on a consolidated basis under IFRS. This will result in a difference between the net asset value as presented in the IFRS consolidated statements and the Net Asset Value published by the Company. The assets of the Company will be valued as follows:

(a) Securities listed on a stock exchange or traded on any other regulated market will be valued at the last available price on such exchange or market or, if no such price is available, at the mean of the bid and asked price on such day. If there is no such price or such market price is not representative of the fair market value of any such security, then the security will be valued in a manner determined by the Directors to reflect its fair value in accordance with the guidelines of the European Venture Capital Association from time to time in force;

(b) If a security is listed on several stock exchanges or markets, the last available price on the stock exchange or market which constitutes the main market for such security will be used;

(c) Where the securities are not listed on any stock exchange they shall be valued in such manner as the Directors in good faith deem appropriate to reflect their fair market value, in accordance with the guidelines of the European Venture Capital Association from time to time in force;

(d) Cash or other liquid assets will be valued at their face value with interest accrued to the end of the day;

(e) The value of accounts receivable, prepaid expenses and interest receivable and dividend income receivable will be the full amount thereof less any withholding tax unless the Directors determine the value of the asset to be less than that amount; and

(f) Values expressed in a currency other than the Euro will be translated into Euros at the average of the last available buying and selling price for such currency. It should be assumed that securities listed on the BSE or RASDAQ will be denominated in Lei and that securities listed on the Bulgarian Stock Exchange will be denominated in Leva. The Euro value attributed to securities denominated in Lei will be based on the National Bank of Romania reference rate which may differ from the

currency in the Romanian market. The Euro value attributed to securities denominated in Leva will be based on the Bulgarian National Bank exchange rate.

To the extent feasible, investment income including interest receivable and dividend income, interest payable, fees and other liabilities (including management fees) will be accrued daily.

In the event that prevailing circumstances render a valuation impracticable or inadequate, the Company is authorised, prudently and in good faith, to follow other rules in order to achieve a fair valuation of the assets of the Company.

8. LIQUIDITY

The Company is a closed-end Cayman Islands registered company. An investment in the Shares of the Company is a relatively illiquid investment. The U.S. Securities and Exchange Commission ("SEC") has defined a "private fund" as: (i) relying on Section 3(c)(1) or 3(c)(7) of the Company Act; (ii) permitting investors to redeem their interests in the fund within two years of purchasing them; and (iii) offering interests in the fund based on the investment advisory skills, ability or expertise of the investment adviser. Ordinary Shares will not be redeemable for the first two years following their purchase if held by US Persons. It is not the intention of the Board to have the Company fall under the definition of "private fund" as defined by the SEC and they will not trigger such designation by permitting redemptions until after the twenty-four month anniversary of the purchase of the Ordinary Shares. By way of example, the Directors have the authority to repurchase Ordinary Shares. In the event of a tender offer, it is likely that such a tender offer will not include Ordinary Shares owned by U.S. investors.

PART 5

THE PLACING

1. SHARES SUBJECT TO THE PLACING

The Placing comprises an offer by the Company of 24,421,455 New Ordinary Shares to raise net proceeds of approximately €23.36 million. The Placing is to be arranged by Rothschild Securities and NEC London in accordance with the terms of the relevant Placing Agreements (further details of which are set out under "Placing Arrangements" below and in paragraph 9 of Part 8 of this document). Unless the Company agrees otherwise, the minimum amount that an investor is able to subscribe is €100,000.

2. THE PLACING

Under the Placing, the New Ordinary Shares have been offered to selected investors in the UK, US and certain other European jurisdictions. No New Ordinary Shares have been sold or are available in whole or in part to the public in the UK or elsewhere in connection with the Placing. The terms and conditions governing the Placing are set out in Part 8 of this document. The Placing is subject to the satisfaction of conditions contained in the relevant Placing Agreements, including Admission occurring on or before 23 December 2005 (or such later date as the Company and Rothschild Securities or NEC London may agree (not being later than 31 January 2006)). Certain conditions are not capable of waiver. In addition, each Placing Agreement includes the right for each of Rothschild Securities and NEC London to terminate the relevant Placing Agreement in certain circumstances prior to Admission. The Ordinary Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

3. ALLOCATION AND PLACING PRICE

All New Ordinary Shares issued pursuant to the Placing will be issued at the Placing Price and each of Rothschild Securities and NEC London has procured certain placees to subscribe for such New Ordinary Shares at such price. Placees procured by Rothschild Securities and NEC London will pay a placing price of €1.00, 3 per cent. of which will be payable by the Company to the relevant placing agent as commission. Allocations have been determined at the discretion of Rothschild Securities, NEC London and the Company after offers from prospective investors were received in the manner described below.

Rothschild Securities and NEC London have solicited from prospective institutional investors offers to subscribe for New Ordinary Shares in the Placing at the Placing Price. On this basis, prospective investors were asked to specify the number of New Ordinary Shares for which they were prepared to make an offer at the Placing Price. In light of these offers, Rothschild Securities, NEC London and the Company, have determined the basis of allocation at their absolute discretion. In determining such allocation, a number of factors were taken into account, including the level and the nature of the demand for Ordinary Shares.

4. LOCK-IN ARRANGEMENTS

Each of the Company's Directors and all related parties for the purposes of the AIM Rules have agreed, pursuant to the Placing Agreements, not to dispose of any interest in their Ordinary Shares within a period of one year following Admission except in certain restricted circumstances. Details of these lock in arrangements are set out in paragraph 10 of Part 8 of this document.

5. ADMISSION, SETTLEMENT, DEALINGS, EUROCLEAR AND CLEARSTREAM

Admission to trading on AIM of the entire share capital of the Company to be issued pursuant to the Placing is expected to take place and dealings in the Ordinary Shares are expected to commence at 8.00 a.m. on 23 December 2005. The earliest date for settlement will be on that date. Dealings on AIM before that date will only be settled if Admission takes place. All dealings in Ordinary Shares prior to commencement of unconditional dealings will be at the sole risk of the parties concerned.

The Directors have arranged for the Ordinary Shares to be admitted to Euroclear and Clearstream with effect from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the Euroclear and Clearstream systems if the relevant shareholders so wish. Euroclear and Clearstream are paperless settlement procedures which allow securities to be evidenced without a certificate and transferred otherwise than by written instrument. The Registrar will act as global Euroclear and Clearstream depositary for any Ordinary Shares held in uncertified form. Euroclear and Clearstream are voluntary systems and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. No temporary documents of title will be issued. All documents or remittance sent by or to a member, or as they may direct, will be sent through the post at the member's risk. Pending the dispatch of definitive share certificates (if applicable), instruments of transfers will be certified against the register of members of the Company. Should Shareholders with share

certificates subsequently wish to hold their Ordinary Shares in Euroclear and Clearstream, they will need to follow the requisite Euroclear and Clearstream procedures for the dematerialisation of their shareholding.

6. PLACING ARRANGEMENTS

On 19 December 2005, the Company, the Directors, Rothschild Securities, and Grant Thornton Corporate Finance and the Company, the Directors, NEC London and Grant Thornton Corporate Finance entered into the Placing Agreements pursuant to which Rothschild Securities and NEC London each agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers for the New Ordinary Shares pursuant to the Placing. All such subscriptions will be at the Placing Price. For the avoidance of doubt, Rothschild Securities and NEC London are not themselves obliged under the relevant Placing Agreement to subscribe for any New Ordinary Shares for which they are unable to procure subscribers. Each Placing Agreement contains provisions entitling Rothschild Securities and NEC London to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing and these arrangements will lapse and any monies received in respect of the Placing will be returned to applicants without interest. Each Placing Agreement provides for Rothschild Securities and NEC London to be paid (inter alia) commissions in respect of the New Ordinary Shares to be allotted pursuant to the Placing. Any commissions received by Rothschild Securities and NEC London may be retained for their own benefit or passed on. Further details of the terms of the Placing Agreements are set out in paragraph 9 of Part 8 of this document.

7. SELLING RESTRICTIONS

Members of the public have not been and are not eligible to take part in the Placing. Invitations to participate in the Placing have been limited (i) at all times to persons reasonably believed by the Company to be investment professionals within the meaning of paragraph (5) of Article 19, or to high net worth companies or unincorporated associations within the meaning of paragraph (2) of Article 49, of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529) and (ii) to persons who are qualified investors within the meaning of section 86(7) of FSMA. This document does not constitute an offer to sell or subscribe for, or the invitation of an offer to buy or subscribe for, New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. Certain restrictions apply to the Company's distribution of this document and the New Ordinary Shares in jurisdictions outside the UK.

Persons into whose possession this document comes should inform themselves about, and observe, any restrictions and legal or regulatory requirements in relation to the distribution of this document and their participation in the Placing. Any failure to comply with these requirements may constitute a violation of the laws of the relevant jurisdictions. In particular, the Ordinary Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or under the securities legislation of any state of the United States. In addition, U.S. investors who purchase Ordinary Shares must qualify as an "accredited investor" within the meaning of Regulation D of the Securities Act and a "qualified purchaser" within the meaning of the Investment Company Act of 1940, as amended. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada; no document in relation to the Placing has been, or will be, lodged with, or registered by, The Australian Securities and Investments Commission; no registration statement has been, or will be, filed with the Japanese Ministry of Finance in relation to the Placing; and no registration statement has been, or will be, filed with The Irish Stock Exchange in relation to the Placing. Accordingly, subject to certain exceptions, the Ordinary Shares the subject of the Placing may not, directly or indirectly, be offered or sold within the United States, Canada, Australia, Japan or the Republic of Ireland or offered or sold to a national, resident or citizen of Canada, Australia, Japan or the Republic of Ireland or any person located in the United States.

No purchase, sale or transfer of any Ordinary Share may be made unless such purchase, sale or transfer will not result in the assets of the Company constituting "plan assets" (within the meaning of the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that are subject to Title I of ERISA or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"). Accordingly, benefit plan investors may not be permitted to acquire Ordinary Shares if by doing so they would trigger the aforesaid "plan assets" rule. Each investor will be required to represent whether or not it is a "benefit plan investor" within the meaning of the plan asset regulation 29 CFR Section 2510.3-101 and whether or not it is subject to ERISA and/or Code Section 4975. Any actual or purported purchase or transfer of an New Ordinary Share that would cause the Company's assets to be deemed to be "plan assets" under ERISA that are subject to Title I of ERISA or Section 4975 of the Code, or otherwise does not comply with the foregoing, is subject to restrictions as provided in the Articles as further described in Part 8 of this document under the heading "Transfer of Shares".

PART 6

PART A – ACCOUNTANT'S REPORT ON RECONSTRUCTION CAPITAL II LIMITED

BDO Stoy Hayward
Chartered Accountants

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

The Directors
Reconstruction Capital II Limited
c/o Appleby Corporate Services (Cayman) Limited
Clifton House
75 Fort Street
PO Box 1350 GT
Grand Cayman
Cayman Islands

Grant Thornton Corporate Finance
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

19 December 2005

Dear Sirs

RECONSTRUCTION CAPITAL II LIMITED ("THE COMPANY")

We report on the financial information set out in Part B below. This financial information has been prepared for inclusion in the admission document dated 19 December 2005 of the Company (the "Admission Document") on the basis of accounting policies set out in the financial information in Part B of Part 6 of the Admission Document. 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

As described in paragraph 1 of the financial information, the Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in paragraph 2 to the financial information and in accordance with International Financial Reporting Standards ("IFRS").

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

BASIS OF OPINION

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

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

OPINION

In our opinion, the financial information in Part B gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in paragraph 2 of the financial information and has been prepared in accordance with IFRS as described in paragraph 2 of the financial information.

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

BDO Stoy Hayward LLP
Chartered Accountants

PART B – FINANCIAL INFORMATION ON RECONSTRUCTION CAPITAL II LIMITED

1. RESPONSIBILITY

The Directors of the Company are responsible for the financial information set out below.

2. ACCOUNTING POLICIES

The financial information has been prepared under the historical cost convention and in accordance with International Financial Reporting Standards.

The Company was incorporated with limited liability in the Cayman Islands on 17 October 2005 under the name of Reconstruction Capital II Limited as an exempted company under the Companies Law (2004 Revision) of the Cayman Islands with registered number HL156549.

Since incorporation, the Company has not traded, nor has it received any income, incurred any expenses or paid any dividends. Consequently no profit and loss account is presented. The financial information is based on the balance sheet of the Company as at the date of incorporation, 17 October 2005.

3. BALANCE SHEET AS AT 17 OCTOBER 2005

	As at 17 October 2005 €
Current assets	
Debtors – unpaid share capital	1
Net assets	1
Share capital and reserves	
Called up share capital	1
Shareholders' funds – equity	1

4. SHARE CAPITAL

The authorised share capital of the Company on its incorporation was €50,000 divided into 50,000 Ordinary Shares of €1.00 each of which one subscriber share is in issue prior to Admission. On 19 December 2005, the existing authorised share capital of €50,000 comprising of 50,000 Ordinary Shares of €1.00 each was sub-divided into 5,000,000 Ordinary Shares of €0.01 each and the existing issued Ordinary Share of €1.00 was subdivided into 100 Ordinary Shares of €0.01 and the authorised share capital was increased to €1,000,000 divided into 100,000,000 Ordinary Shares of €0.01 each. On 19 December 2005, 24,421,455 Ordinary Shares were allotted, at a subscription of €1.00 per Ordinary Share, conditional on Admission.

PART 7

TAXATION

The information below, which relates only to the current tax laws of the United Kingdom, the United States and Switzerland, is applicable to the Company and to persons who are resident or ordinarily resident in those jurisdictions or, for Switzerland, who are domiciled or deemed domiciled in Switzerland in the sense of Switzerland's tax legislation (except where indicated) and who hold Ordinary Shares as investments (and not as dealers in securities). It is based on existing law and practice in force in the relevant jurisdiction at the date of this document, which may change. If you are in any doubt as to your tax position and in any event, you should consult your own professional adviser without delay.

As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment in the Company is made will endure indefinitely. Prospective investors should familiarise themselves with and, where appropriate, take advice on the laws and regulations (such as those relating to taxation and exchange controls) applicable to the subscription for and the holding and realisation of, Shares in the places of their citizenship, residence and domicile. The tax consequences for each investor of acquiring, holding, redeeming or disposing of Shares in the Company will depend upon the relevant laws of any jurisdiction to which the Shareholder is subject. Investors and prospective investors should seek their own professional advice as to this, as well as to any relevant exchange control or other laws and regulations.

Please note that the Company and its investments or subsidiaries may be subject to local withholding or other taxes in respect of income or gains derived from investments in certain countries. Taxation law and practice and the levels and bases of and reliefs from taxation relating to the Company its subsidiaries and investments and to the investors, may change from time to time.

UNITED KINGDOM

General

This summary is based upon the UK tax laws and HM Revenue & Customs' practice as in effect on the date of this document, which are subject to change, possibly with retroactive effect. Prospective investors should consult their own tax advisers as to the UK tax consequences of the purchase, ownership and disposal of Ordinary Shares. The statements contained below are intended to be a general guide only and apply to investors resident or ordinarily resident in the UK who hold Ordinary Shares as an investment and who are the absolute beneficial owners thereof. The statements below may not apply to certain classes of persons such as dealers in securities, broker-dealers, insurance companies, etc.

The Company

The Directors intend to manage and conduct the affairs of the Company so that, for United Kingdom corporation tax purposes, the Company does not become resident within the United Kingdom for United Kingdom taxation purposes nor will it carry on a trade or a business through a permanent establishment located in the United Kingdom. On that basis and on the assumption that it has no United Kingdom source income, the Company will have no liability in respect of either United Kingdom corporation tax or income tax.

United Kingdom Resident Investors

Holders of Ordinary Shares who are resident in the United Kingdom, depending on their personal circumstances, may be liable to United Kingdom income tax or corporation tax in respect of dividend income received from the Company, whether or not such distributions are reinvested, and may be liable to United Kingdom capital gains tax on the redemption or disposal of their Ordinary Shares.

A distribution by the Company with respect to the Ordinary Shares in the form of a dividend may give rise to income chargeable in the United Kingdom to either income tax or corporation tax. In the case of a dividend this will be regarded as income taxable under schedule D case V of the Income and Corporation Taxes Act 1988 (the "UK Taxes Act"). An individual who is a higher rate tax payer will be chargeable to tax at the rate of 32.5 per cent. of the income received.

Except in the case of a company owning directly or indirectly not less than 10 per cent. of the share capital of the Company, no credit will be available against an investor's United Kingdom taxation liability in respect of income distributions of the Company for any taxes suffered or paid by the Company on its own income.

UK Offshore Funds Legislation

The Company will not be a collective investment scheme for the purposes of the United Kingdom offshore funds legislation by virtue of being a close ended company.

Section 739 Taxes Act 1988

Individual investors ordinarily resident in the UK for tax purposes should note that Chapter III (Sections 739 and 740) of Part VII of the UK Taxes Act may render them liable to income tax in respect of undistributed income or profits of the Company. These provisions are aimed at preventing the avoidance of income tax by individuals through a transaction resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad and may render them liable to income tax in respect of undistributed income or profits of the Company on an annual basis.

This legislation will, however, not apply if such an investor can satisfy HM Revenue and Customs that either:

(a) avoiding liability to UK taxation was not the purpose or one of the purposes of their investment in the Company; or

(b) the investment was a bona fide commercial transaction and was not designed for the purpose of avoiding UK taxation.

Controlled Foreign Companies Legislation

The attention of investors who are companies resident in the United Kingdom is drawn to the fact that the "controlled foreign companies provisions" contained in Sections 747 to 756 of the UK Taxes Act could be material to any company so resident that holds alone, or together with certain other associated persons, 25 per cent., or more of the Ordinary Shares, if at the same time the Company is controlled by companies or other persons who are resident in the United Kingdom for taxation purposes. Persons who may be treated as "associated" with each other for these purposes include two or more companies one of which controls the other(s) or all of which are under common control. The effect of such provisions could be to render such companies liable to United Kingdom corporation tax in respect of undistributed income and profits of the Company.

Section 13 Taxation of Chargeable Gains Act 1992

The attention of investors who are resident or ordinarily resident in the United Kingdom for taxation purposes (and who, if individuals, are also domiciled in the United Kingdom for those purposes) is drawn to the provisions of Section 13 of the Taxation of Chargeable Gains Act 1992 ("Section 13"). Section 13 applies to a "participator" in the Company for UK taxation purposes (which term includes a shareholder) if, at a time when any gain accrues to the Company which constitutes a chargeable gain for those purposes, the Company is itself controlled by a sufficiently small number of persons so as to render the Company a body corporate that would, were it to have been resident in the United Kingdom for taxation purposes, be a "close" company. The provisions of Section 13 could, if applied, result in such an Investor being treated for the purposes of United Kingdom taxation of chargeable gains as if a part of any chargeable gain accruing to the Company had accrued to the investor directly, that part being equal to the proportion of the gain that corresponds to that investor's proportionate interest in the Company as a "participator" (when aggregated with the proportions attributable to persons connected with the Investor). No liability under Section 13 could be incurred by such an investor however, where such proportion does not exceed one-tenth of the gain.

UNITED STATES OF AMERICA

General

This summary is based upon the income tax laws of the United States as in effect on the date of this document, which are subject to change, possibly with retroactive effect. Prospective investors should consult their own tax advisors as to the United States tax consequences of the purchase, ownership and disposition of Ordinary Shares, in addition to the effect of any state or local tax laws or the laws of any jurisdiction other than the United States. It is particularly important for investors who are United States holders to consult their own tax advisors as to the rules summarized below with respect to passive foreign investment companies.

The Ordinary Shares will be properly characterized as equity interests in (as opposed to indebtedness of) the Company, and the Company will so characterize all Ordinary Shares for all United States federal income tax purposes. This characterization by the Company will be binding on every holder, unless the

holder discloses its inconsistent characterization on such holder's United States federal income tax return. The United States Internal Revenue Service (the "Service") will not be bound by the characterization of the Ordinary Shares by the Company or the holders.

The Company

The Company will be classified as a "corporation" for all United States federal income tax purposes. The Company intends to conduct its affairs so that, for United States federal income tax purposes, it will not be engaged in a trade or business within the United States. So long as the Company is not so engaged, it will not be subject to United States federal income tax, apart from certain withholding taxes, and the Company does not intend to invest in securities that would produce income subject to the United States federal withholding tax.

Investors – United States Holders

"United States holders" include holders of Ordinary Shares who are citizens or residents of the United States; any corporation, partnership, or other entity created or organized in or under the laws of the United States or any political subdivision thereof, and any estate or trust, the income of which is subject to United States federal income tax regardless of its source. A "resident" of the United States includes an individual that (i) is lawfully admitted for permanent residence in the United States, (ii) is present in the United States for 183 days or more during a calendar year; or (iii) (a) is present in the United States for 31 days or more during a calendar year, (b) is present in the United States for an aggregate of 183 days or more, on a weighted basis, over a 3-year period ending in such calendar year, and (c) does not have a closer connection to a "tax home" that is located outside the United States.

(a) *Taxation of dividends*

Subject to the discussion below of the consequences of the Company being treated as a passive foreign investment company, and the consequences of a United States holder making a qualified electing fund election with respect to the Company, United States holders of Ordinary Shares generally will be required to include in gross income when received, dividends paid on Ordinary Shares. Dividends paid in Euros, or any currency other than the US dollar, will be translated into US dollars at the spot rate on the date the dividends are paid to a United States holder, regardless of whether the dividends are in fact converted on that date.

A distribution by the Company with respect to the Ordinary Shares, including a pro rata redemption of Ordinary Shares, will be treated first as a dividend to the extent of the current or accumulated earnings and profits of the Company as determined under the United States federal income tax principles, then as a tax-free return of basis in the Ordinary Shares, with the balance of the distribution, if any, treated as a gain realized by the United States holder from the sale or disposition of the Ordinary Shares.

The dividends paid by the Company will not be eligible for the dividends received deduction otherwise allowed to corporations under the United States Internal Revenue Code of 1986, as amended ("the Code"). For purposes of the United States foreign tax credit limitation, dividends paid by the Company generally will constitute foreign source "passive income" (or, in the case of a holder who is a "financial services entity" as defined in regulations under the Code, "financial services income"). All non-corporate United States holders, and all United States holders that are corporations and which own less than 10 per cent. of the voting stock of the Company, will not be entitled to claim a foreign tax credit for any taxes paid by the Company.

(b) *Taxation of capital gains*

Subject to the discussion below of the consequences of the Company being a passive foreign investment company, gain or loss realized by a United States holder on the sale or other disposition of an Ordinary Share (including upon liquidation or dissolution of the Company or as a result of non-pro rata redemption of Ordinary Shares) will be subject to United States federal income tax, as a capital gain or loss, in an amount equal to the difference between such United States holder's adjusted tax basis in the Ordinary Share and the amount realized on its deposition. The United States holder's adjusted tax basis in an Ordinary Share will generally be equal to the US dollar cost of acquiring the Ordinary Share reduced (but not below zero) by the US dollar value of any distribution that is treated as a tax-free return of basis.

If the Company is or becomes a passive foreign investment company, and a United States holder does not (or cannot) make the election to treat the Company as a qualified electing fund as

described below, any gain recognized on a deposition or deemed disposition of an Ordinary Share by a United States holder will be treated as ordinary income (rather than as a capital gain) and as an "excessive distribution", with the consequences described below. Nevertheless, any loss recognized on disposition or deemed disposition of an Ordinary Share by a United States holder will continue to be treated as a capital loss.

Any capital gain or loss recognized upon the sale or other disposition of an Ordinary Share will be either short-term or, if held for more than one year, long-term. For non-corporate United States holders, the United States income tax rate applicable to the net long-term capital gain recognized for a year currently will not exceed 15 per cent. The deductibility of a capital loss is subject to limitations. For purposes of the United States foreign tax credit limitation, a gain realized on the disposition of an Ordinary Share will be United States source gain. There is a substantial risk, however, that a loss will be allocated against foreign source income by reference to the source of income received under the Ordinary Share.

(c) *Passive Foreign Investment Companies*

Special United States federal income tax rules apply to holders of equity interests in a "passive foreign investment company" ("PFIC"). The Company will constitute a PFIC for United States federal income tax purposes if 75 per cent. or more of its gross income were to consist of passive income, or 50 per cent. or more of its average assets were to consist of passive assets, during any taxable year. Passive assets are defined as assets that give rise, or that reasonably could give rise during the reasonable foreseeable future, to passive income. Passive income includes (i) interest on loans including interest on loans to an investee entity, (ii) dividends from stock in a corporation, including an investee entity, in which the Company directly or indirectly owns less than 25 per cent. of the value of the stock in the corporation, and (iii) gains from the sale of any partnership interests or any stock, including a substantial risk of gains from the sale of stock in a corporation directly or indirectly owned 25 per cent. or more by the Company.

If the Company is or becomes a PFIC, and unless a United States holder makes the election described below, a United States holder would be required to allocate to each day in its holding period with respect to the Ordinary Shares a pro rata portion of any distribution received, or deemed received under certain attribution rules, from the Company which is treated as an "excess distribution". Generally, an excess distribution is any distribution (including the portion of the proceeds from a redemption of Ordinary Shares that is treated as a dividend) from the Company that exceeds 120 per cent. of the average annual amount distributed (as measured in the currency of such distribution) by the Company during the three preceding years (or such shorter period as the United States holder may have held the Ordinary Shares). In addition, the full amount of any gain recognized on a disposition or deemed disposition (including a liquidation, a redemption that is treated as a disposition, or a pledge) of Ordinary Shares in the Company will be treated as an excess distribution. The excess distribution amount is allocated rateably over the United States holder's entire holding period. The amount allocated to the current taxable year is taxed as ordinary income. Any amount of the excess distribution allocable to a prior taxable year will be subject to a deferred United States federal income tax charge, calculated as the sum of the amount of tax imposed on the allocable excess distribution at the highest applicable rate in effect for each year plus the accumulated interest on the determined amount of tax. Given the Company's distribution and investment policies, there is a substantial risk that a United States holder will receive an amount treated as an excess distribution with respect to the Ordinary Shares if the Company is or becomes a PFIC. The potential adverse tax consequences of the above PFIC rules might be mitigated if the United States holder could make, and so made, an election to treat the Company as a qualified electing fund ("QEF") for United States federal income tax purposes. The Company undertakes to make good faith efforts to comply with all accounting, record keeping and reporting requirements necessary for the United States holders to make such elections.

If the United States holder makes a QEF election, and if the Company is or becomes a PFIC and the Company complies with certain reporting requirements, the United States holder must include annually in gross income, whether or not such amounts are distributed to the United States holder, its pro rata Ordinary Share of the Company's ordinary income (including net foreign currency gains in excess of losses) and net realized capital gains, in units of Euros translated into US dollars at the average exchange rate for such taxable year of the Company. In the event that any undistributed amounts previously taken into income by an electing holder are subsequently distributed by the Company, such subsequent distribution would not be taken into income in such subsequent taxable

year (except as discussed below) and would not be subject to a deferred United States federal income tax charge. However, the difference between the US dollar value of that subsequent distribution and the US dollar value of the attributable earnings previously included in the United States holder's income will be treated as foreign source ordinary income or loss, as appropriate, that will be taken into account by the holder in the year of receipt of the distribution.

Some of the investee entities may be characterized, for United States federal income tax purposes, as partnerships rather than as corporations. With respect to any investee entities that is characterized as a partnership, the Company will recognize, for United States federal income tax purposes, its pro rata share of such entity's profit or loss, regardless of whether that entity makes actual distributions to the Company. To the extent that such profit exceeds actual distributions, the Company will be considered to earn for United States federal income tax purposes an amount greater than the amount distributed to it by the investee entities. To the extent that the investee entities incurs a loss, the Company would recognize its distributive Ordinary Share of such loss for United States federal income tax purposes. These computations will directly affect the amount of income recognized by a United States holder that has made a QEF election.

There can be no assurance that the Company will distribute an amount for a year equal to a United States holder's annual inclusion amount if the Company is or becomes a PFIC and a QEF election with respect to the Company is made by the holder. For the purpose of the PFIC rules, under certain circumstances, Ordinary Shares held by a "non-United States holder" may be attributed to a United States holder owning an interest, directly or indirectly, in that non-United States holder. In such event, dividends and other transactions in respect of the Ordinary Shares held by the non-United States holder would be attributed to such United States holder for purpose of applying the above PFIC rules. A United States holder must file Internal Revenue Service Form 8621 for each taxable year in which the United States holder owns Ordinary Shares and for which the Company is a PFIC. Because the Company is a newly formed company and has no operating history, it cannot be concluded that it will not be a PFIC in any year.

If the Company is or becomes a PFIC, and the QEF election is not or cannot be made, an investment in Ordinary Shares by a United States holder could subject the holder to substantial adverse United States federal income tax consequences. Prospective United States holders should consult their own tax advisors regarding the potential application of the current PFIC rules and about the impact of any legislation, proposed or enacted, that could affect the PFIC rules.

(d) *Passive Foreign Investment Company Rules Applicable to Tax Exempt Organisations ("TEO") and Registered Investment Companies*

Amongst other things, the Treasury Regulations, under Section 1291 of the Code address the application of the PFIC rules to a United States holder that is a TEO Ordinary Shareholder, or a regulated investment company (a "RIC Ordinary Shareholder") within the meaning of Section 851(a) of the Code. With respect to a TEO Ordinary Shareholder, the Treasury Regulations state that if the Ordinary Shareholder of a PFIC is an organization exempt from tax under the Code, the PFIC rules will apply to such Ordinary Shareholder only if a dividend from the PFIC would be taxable to the organization under the Code, that is, if the Ordinary Shares of the PFIC held by such organization constituted debt-financed property as defined above. Thus, provided that a TEO Ordinary Shareholder does not incur acquisition indebtedness, a dividend from, or a gain derived from the disposition of, Ordinary Shares would not be subject to United States federal income taxation. Accordingly, under the Treasury Regulations, the PFIC rules would not apply to such TEO Ordinary Shareholder. Accordingly, dividends from, and gains derived from the disposition of, Ordinary Shares (if the Company is or become a PFIC) will not be subject to taxation under the PFIC rules, provided the Ordinary Shares held by such person do not constitute debt-financed property. Accordingly, a TEO Ordinary Shareholder would not have to make a QEF election with respect to the Company if it is or becomes a PFIC provided the Ordinary Shares do not constitute debt-financed property. If the Company is or becomes a PFIC, a TEO Ordinary Shareholder whose Ordinary Shares constitute debt-financed property will be subject to United States federal income taxation under the PFIC rules. It is unclear whether such a TEO Ordinary Shareholder may choose to make a QEF election with respect to its interest in the Company in such case. If the QEF election is available and is made, the TEO Ordinary Shareholder would be subject to taxation under the QEF rules, which requires the electing Ordinary Shareholder to currently include in gross income its pro rata Ordinary Share of the Company's ordinary earnings and net capital gain. Although no authority on the point exists, it is likely that some or all of such items would be treated as unrelated

business taxable income of a TEO Ordinary Shareholder due to the application of the debt-financed property rules.

If the Company is or becomes a PFIC, a RIC Ordinary Shareholder of the Company will be subject to taxation under the PFIC rules, unless it makes a QEF election with respect to the Company. The PFIC rules would impose a tax liability at the RIC-level equal to the deferred tax amount attributed to excess distributions made by the Company that are not allocable to the current year, which liability may not be eliminated by means of a corresponding distribution (and dividends paid deduction) by the RIC. If the Company is or become a PFIC, there is a risk that RIC Ordinary Shareholders of the Company will have income inclusions attributable to excess distributions with respect to Ordinary Shares. Accordingly, in order to avoid the RIC-level tax, such holders may choose to make a QEF election with respect to the Company. A RIC Ordinary Shareholder that so elects will be required to take into account its pro rata Ordinary Share of the annual ordinary earnings and net capital gain of the Company in computing the holder's investment company taxable income and net capital gain irrespective of actual distributions made by the Company. By distributing all of its investment company taxable income and net capital gain (inclusive of its pro rata Ordinary Share of ordinary earnings and net capital gain attributable to the Company), the RIC Ordinary Shareholder will not be liable for any federal income tax. In addition, a RIC Ordinary Shareholders' pro rata Ordinary Share of the Company's ordinary earnings and net capital gain will not qualify as dividends for the purpose of the 75 per cent. gross income test as described in Section 851(b)(2) of the Code, to the extent that corresponding distributions are not made by the Company in the same taxable year. Finally, the Proposed Regulations contain a mark-to-market election for RICs that own Ordinary Shares of a PFIC. However the election will not be available until the Proposed Regulations become effective.

Investors-Non-United States Holders

Subject to the discussion of United States backup withholding tax below, a holder of Ordinary Shares other than a United States holder (a "non-United States holder") will not be subject to United States federal income or withholding tax on income derived by the Company, dividends paid to a holder by the Company or gains realized on the sale of Ordinary Shares, provided that (i) such income items are not effectively connected with the conduct by the non-United States holder of a trade or business within the United States, (ii) the non-United States holder is not or was not present in, or does not have or did not have a permanent establishment in, the United States, (iii) there has not been a present or former connection between the non-United States holder and the United States, including, without limitation, such non-United States holder's status as a citizen or former citizen thereof or resident or former resident thereof, or (iv) in the case of a gain from the sale or disposition of Ordinary Shares, the non-United States holder is not present in the United States for 183 days or more during the taxable year of the sale or certain other conditions are met.

United States Backup Withholding Tax

Under current regulations, dividends paid on Ordinary Shares will not be subject to United States backup withholding tax. However, dividends paid on Ordinary Shares to United States holders or non-United States holders through United States or United States-related persons will be subject to a 28 per cent. United States backup withholding tax if certain information reporting requirements are not satisfied. In addition, under current temporary regulations, the proceeds of sales of the Ordinary Shares by United States holders or non-United States holders through United States or United States-related brokers would be subject to the 28 per cent. United States backup withholding requirements if certain information reporting requirements are not satisfied. United States holders can avoid the imposition of backup withholding tax by reporting their taxpayer identification number to their broker or paying agent on Internal Revenue Service Form W-9. Non-United States holders can avoid the imposition of backup withholding tax by providing a duly completed Internal Revenue Service Form W-8BEN to their broker or paying agent. Any amounts withheld under the backup withholding tax rules from a payment to a holder will be allowed as a refund or a credit against such holder's United States federal income tax, provided that the required information is furnished to the Service.

ERISA Considerations

The United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code set forth certain restrictions on (a) employee benefit plans (as defined in section 3(3)) of ERISA), (b) plans described in Section 4975(e)(1) of the Code, including individual retirement accounts and Keogh plans, (c) any entity whose underlying assets include plan assets by reason of a plan's investment in such entity (each of (a), (b), and (c) herein after referred to as a "Plan" or "Benefit Plan") and (d) persons who

have certain specified relationships to such Plans ("parties in interest" under ERISA and "disqualified persons" under the Code).

ERISA also imposes specific requirements on fiduciaries of Plans subject to ERISA, namely, that they make prudent investments, that they diversify investments, and that they make investments in accordance with Plan documents and in the best interests of participants and their beneficiaries. In addition, assets of a Plan subject to ERISA must at all times comply with the "indicia of ownership" rules set forth in Section 404(b) of ERISA.

Further, a party in interest under ERISA and a disqualified person under the Code are prohibited from engaging in certain transactions with respect to Plans or their assets (a "Prohibited Transaction"). A violation of these Prohibited Transaction rules may result in a breach of fiduciary duty under ERISA and the imposition of an excise tax or other penalties and liabilities under ERISA and/or the Code for such persons. A Prohibited Transaction could occur upon the subscription for, acquisition or holding of Ordinary Shares by a Benefit Plan if the Manager, a co-investor, the Company, a Director, or any of their respective affiliates, were a party in interest or a disqualified person with respect to such Plan. However, both ERISA and the Code provide for certain statutory and administrative exemptions from the Prohibited Transaction rules which could apply in this case. Further, the US Department of Labour has issued a number of class exemptions that may apply to otherwise Prohibited Transactions arising from the acquisition or holding of Ordinary Shares, including: Class Exemption 75-1 (Transactions Involving Employee Benefit Plans and Certain Broker-Dealers, Reporting Dealers and Banks), Class Exemption 84-14 (Transactions Effected by Qualified Professional Asset Managers), Class Exemption 90-1 (Transactions involving Insurance Company Pooled Separate Accounts), Class Exemption 91-38 (Transactions Involving Bank Collective Investment Funds), Class Exemption 95-60 (Transactions Involving Insurance Company General Accounts) and Class Exemption 96-23 (Transactions Effected by In-House Asset Managers). The availability of each of these statutory, administrative and class exemptions is subject to a number of important conditions which each Benefit Plan's fiduciary must consider in determining whether such exemption applies.

A Plan fiduciary should consider whether a Plan investing in the Ordinary Shares could be deemed to own. Also an undivided interest in the underlying assets of the Company under relevant US Department of Labor "Plan Asset" regulations. If the assets of the Company are deemed to be assets of such Plan, then any person who (i) exercises authority or control over the management of the Company or the disposition of the Company's assets, (ii) renders investment advice with respect to the Company's assets, or (iii) has any discretionary authority or discretionary responsibility in the administration of the Plan, could be held to be a "fiduciary" under ERISA and the Code, and all of the ERISA and Code fiduciary and Prohibited Transaction rules would apply to the structure and operation of the Company and the investment or other disposition of the Company's assets.

The US department of Labor "Plan Asset" regulations provide, however, that the underlying assets of the Company will not be considered "Plan Assets" if investment by "benefit plan investors" in the Company is less than 25 per cent. of the value of each class of equity interest of the Company. The Directors intend to use commercially reasonable efforts to prevent Benefit Plan Investors from owning 25 per cent. or more of each equity class of interest of the Company. For the purpose of the "Plan assets" rules, a "benefit plan investor" is any of the following: (i) any "employee benefit plan" defined in Section 3(3) of ERISA, which includes any "employee pension benefit plan" or "employee welfare benefit plan" as defined in ERISA whether or not such Plan is established or maintained in the United States or any other jurisdiction and whether or not such Plan is subject to Title I of ERISA; (ii) any Plan described in Section 4975(e)(1) of the Code; and (iii) any entity whose underlying assets include Plan Assets by reason of a Plan's investment in the entity.

Any purchaser or other transferee of the Ordinary Shares will be required to certify whether or not it is a "benefit plan investor" and whether or not it is subject to ERISA and/or Code Section 4975. The purchase by or transfer of the Ordinary Shares by any Plan will be subject to the consent of the Directors. Fiduciaries of Plans who are considering an investment of Plan assets in the Ordinary Shares should consult with their own counsel regarding compliance with these rules.

Any potential investor considering an investment in shares that is, or is acting on behalf of, a plan (or a governmental plan subject to laws similar to erisa and/or Section 4975 of the Code) is strongly urged to consult its own legal, tax and erisa advisers regarding the consequences of such an investment and the ability to make the representations described above.

SWITZERLAND

This summary is based on the tax laws of Switzerland in effect on the date of this document, which are subject to change, possibly with retroactive effect. Prospective investors should consult their own tax advisers as to the Swiss tax law consequences of the purchase, ownership and disposition of Ordinary Shares.

It is particularly important for investors who are in Switzerland to check on the cantonal tax laws of their canton of domicile on which no views are expressed herein.

The Company

The Directors intend to manage and conduct the affairs of the Company so that for Swiss corporate tax purposes the Company does not become resident within Switzerland for Swiss tax purposes nor will it carry on a trade or a business through a permanent establishment ("établissement stable") located in Switzerland. The same applies for the Subsidiary. On that basis and on the assumption that it has no Swiss source income the Company and/or the Subsidiary will have no liability in respect of either Swiss corporation tax or income tax.

Investors

Federal legislation

Stamp tax may, depending on all circumstances, be levied only where one of the contracting parties would be a "securities dealer" in the sense of Article 13, paragraph 3 of the Swiss Federal Act on Stamp Tax of 27th June 1973 as amended. Hence and given the restrictions expressed in this document, stamp tax should not apply in principle.

Taxation of dividends

Holders of Ordinary Shares who are domiciled or deemed domiciled in Switzerland in the sense of Swiss tax legislation may depending on their personal circumstance be liable to Swiss income/wealth tax or corporate benefit or capital tax in respect of any dividend income received from the Company, whether or not such distributions are re-invested. We would like to draw your attention to the fact that under the Swiss Federal Direct Tax Act, a natural person who stays in Switzerland without any substantial interruption for 30 days at least while performing a remunerated activity or for 90 days at least when he/she does not perform any remunerated activity is liable to taxation in Switzerland.

A distribution by the Company with respect to Ordinary Shares in the form of a dividend may give rise to income liable in Switzerland to either income or corporate benefits tax.

Cantonal tax

The cantons may provide for wealth and income tax for natural persons as well as for benefit and capital tax for corporations. Investors are urged to seek information on such cantonal regulations. In general, cantons do not levy any capital gains tax for private persons, hence it is particularly important for investors who are subject to tax in Switzerland to ascertain with their own professional advisors whether they fall or not in the category of "professional" investors in the sense of the relevant cantonal legislation.

Switzerland – EU Savings Taxation Bilateral Agreement

In accordance with the above Agreement, EU citizens may, subject to the conditions set forth by the said Agreement, be subject to a withholding savings tax on "interest" as defined in the said Agreement, to be withheld by the Swiss paying agent.

The above does not purport to provide exhaustive legal advice on the possible tax consequences of the acquisition, transfer or disposal of Ordinary Shares and is to be used as mere guidelines

OTHER JURISDICTIONS

Prospective purchasers of Ordinary Shares should consult their own professional tax advisors as to the tax consequences of the purchase, ownership and disposition of Ordinary Shares. **Any person who is in any doubt as to his tax position or requires more detailed information than the general outline above should consult his professional advisers.**

PART 8

GENERAL INFORMATION

1. RESPONSIBILITY

The Directors, whose names appear on page 7 of this document, accept responsibility for all the information contained in this document including individual and collective responsibility for 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.

2. THE COMPANY

(a) The Company was incorporated with limited liability in the Cayman Islands as an exempted company under the Companies Law (2004 Revision) of the Cayman Islands ("the Statute") on 17 October 2005 with registered number HL156549 and with the name Reconstruction Capital II Limited. The Company operates under the law and ordinances and regulations made thereunder. Its registered office is at the offices of Appleby Corporate Services (Cayman) Limited, Clifton House, 75 Fort Street, PO Box 1350 GT, George Town, Grand Cayman, Cayman Islands.

(b) The Memorandum of Association of the Company provides that the objects of the Company are unrestricted. A copy of the Memorandum of Association is available for inspection at the address specified in paragraph 15 of Part 8 of this document.

(c) Since its incorporation, the Company has not traded and no accounts of the Company have been made up.

3. SUBSIDIARY UNDERTAKING

The Subsidiary was incorporated with limited liability in Cyprus on 7 November 2005 with registration number HE167612. The entire issued share capital of the Subsidiary of Cypriot Pounds 1,000 is held by the Company. The Subsidiary was incorporated solely for the purpose of holding investments in the companies in which the Company decides to invest.

4. SHARE CAPITAL

(a) The authorised share capital and issued share capital of the Company (all of which will be fully paid-up) immediately following Admission will be as follows:

Authorised No. of Shares	*€ nominal*	*Issued No. of Shares*	*€ nominal*
100,000,000	0.01	24,421,555	0.01

(b) The authorised share capital of the Company on its incorporation was €50,000 divided into 50,000 Ordinary Shares of €1.00 each of which one subscriber share is in issue prior to Admission. On 19 December 2005, the existing authorised share capital of €50,000 comprising of 50,000 Ordinary Shares of €1.00 each was sub-divided into 5,000,000 Ordinary Shares of €0.01 each and the existing issued Ordinary Share of €1.00 was subdivided into 100 Ordinary Shares of €0.01 and the authorised share capital was increased to €1,000,000 divided into 100,000,000 Ordinary Shares of €0.01 each. On 19 December 2005, 24,421,455 Ordinary Shares were allotted, at a subscription of €1.00 per Ordinary Share, conditional on Admission.

(c) Save as referred to in paragraph (b) above, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue of any such capital.

(d) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

(e) Any unallotted Ordinary Shares will remain authorised but unissued.

(f) There is no provision of Cayman Islands law or the Articles which confer rights of pre-emption upon the issue or sale of any Ordinary Shares in the Company.

5. MEMORANDUM AND ARTICLES OF ASSOCIATION

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

(a) **Voting Rights**

Subject to any rights or restrictions attached to any Shares, all voting at general meetings will be by poll where every Member who (being an individual) is present in person or by proxy or, if a corporation or other non-natural person is present by its duly authorised representative, shall have one vote for every Share of which he is the holder.

(b) **Dividends**

(i) Subject to the Cayman Islands Companies Law (2004 revision) as amended and the Articles, the Directors may declare dividends and distributions on Shares in issue and authorise payment of the dividends or distributions out of the funds of the Company lawfully available. No dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Cayman Islands Companies Law (2004 revision) as amended.

(ii) Except as otherwise provided by the rights attached to Shares, all dividends shall be declared and paid according to the amounts paid on the shares that a registered shareholder holds. If any Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.

(iii) The Directors may deduct from any dividend or distribution payable to any Member all sums of money (if any) then payable by him to the Company on account of calls or otherwise.

(iv) The Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures, or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional Shares and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.

(v) Any dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through by post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Members or to such person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses, or other monies payable in respect of the Shares held by them as joint holders.

(vi) No dividend or distribution shall bear interest against the Company.

(vii) Any dividend which remains unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

(c) **Winding-Up**

(i) The Directors will be required to propose a resolution that the Company should continue for a further two year period at the annual general meeting of the Company held in 2012 and at each second subsequent annual general meeting of the Company. The resolution is only deemed to be not passed if the vote is put to a poll and the votes against the resolution (a) constitute a majority against the resolution and (b) represent at least 25 per cent. of the total number of votes capable of being cast on that resolution. If the resolution is not passed, the Directors will be required to formulate proposals to be put to Shareholders to reorganise, unitise or reconstruct the Company or for the Company to be wound up.

(ii) If the Company shall be wound up, and the assets available for distribution amongst the Members shall be insufficient to repay the whole of the share capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in

proportion to the par value of the Shares held by them. If in a winding up the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst the Members in proportion to the par value of the Shares held by them at the commencement of the winding up subject to a deduction from those Shares in respect of which there are monies due, of all monies payable to the Company for unpaid calls or otherwise. This provision is without prejudice to the rights of the holders of Shares issued upon special terms and conditions.

(iii) If the Company shall be wound up the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Cayman Islands Companies Law (2004 revision) as amended, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for that purpose value any assets and determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

(d) **Transfer of Shares**

(i) Shares are transferable subject as hereinafter provided. The Directors may also decline to register the transfer of any Shares in respect of which the Company has a lien. Shares are not transferable to natural persons under the age of 18 or, without the specific consent of the Directors, to US Persons. If the Directors refuse to register a transfer they shall notify the transferee within two months of such refusal.

(ii) The instrument of transfer of any Share shall be in any usual or common form for use in the Cayman Islands or in any other form approved by the Directors and shall be executed by or on behalf of the transferor (and, in the case of a transfer of any Share that is nil-paid or partly-paid, signed by the transferee). The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the Register of Members.

(e) **Variation of Share Capital**

The Company may by Ordinary Resolution:

(i) increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

(ii) consolidate all or any of its share capital into Shares of larger amount than its existing Shares;

(iii) by subdivision of its existing Shares or any of them divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Articles; and

(iv) cancel any Shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any person.

(f) **Variation of Rights**

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

(g) **Directors**

(i) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.

(ii) A Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for professional services as if he were not a Director or alternate Director.

(iii) A Director or alternate Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director or alternate Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company.

(iv) No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as a vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or transaction by reason of such Director holding office or of the fiduciary relation thereby established provided that such Director (or his alternate Director in his absence) shall not be entitled to vote in respect of any contract or transaction in which he is interested.

(h) **Borrowing Powers**

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party. The Company will have the power under its Articles to borrow up to an amount equal to 30 per cent. of the Company's gross assets.

(i) **Issue of Ordinary Shares**

Subject to the provisions, if any, in the Articles (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing Shares, the Directors may allot, issue, grant options over or otherwise dispose of Shares (including fractions of a Share) with or without preferred, deferred or other rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise and to such persons, at such times and on such other terms as they think proper and whether in separate classes or otherwise.

6. PREMISES

The Company does not own any real property.

7. DIRECTORS' AND OTHER INTERESTS

(a) The interests as at 19 December 2005 (the latest practicable date before publication of this document) of the Directors and (so far as is known to the Directors or could with reasonable diligence be ascertained by them) persons connected with the Directors within the meaning of section 346 of the Act in the share capital of the Company, which would be required to be notified to the Company pursuant to sections 324 and 328 of the Act or shown in the register maintained under section 325 of the Act, were the Company subject to the Act, but excluding any options over Ordinary Shares, all of which are beneficial, are as follows:

Director	*Number of Ordinary Shares*	*Percentage of existing Ordinary Shares*
Ion A Florescu	100	100 per cent.

(b) Immediately following Admission the interests of the Directors and (so far as is known to the Directors or could with reasonable diligence be ascertained by them) persons connected with the Directors within the meaning of section 346 of the Act in the share capital of the Company, which would be required to be notified to the Company pursuant to sections 324 and 328 of the Act or as required to be shown in the register maintained under section 325 of the Act, were the Company subject to the Act, all of which will be beneficial, will be as follows:

Director	*Number of Ordinary Shares*	*Percentage of existing Ordinary Shares*
Ion A Florescu	200,100	0.82 per cent.
Franklin P Johnson Jr	800,000	3.28 per cent.

(c) In addition to the Directors' interests described in paragraph 8(a) and (8)b, the Directors are aware of the following interests which will represent three per cent. or more of the issued share capital of the Company, immediately following Admission:

	Number of Ordinary Shares	*Percentage of existing Ordinary Shares*
CES Funds Placement UBS AG	765,000	3.13 per cent.
Laxey Partners	1,000,000	4.09 per cent.
ABN Amro Zurich	2,588,485	10.60 per cent.
Asset Value Investors	3,500,000	14.33 per cent.
Petercam Brussels	5,278,750	21.62 per cent.
Petercam Luxembourg	1,000,000	4.09 per cent.
UBS Fund Services (Cayman) Limited :		
Reference Northview Investment Fund Ltd	5,077,320	20.79 per cent

(d) Neither the persons set out in paragraph 8(c) above nor the Directors 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.

(e) Neither the Company nor the Directors are aware of any arrangements which may at a subsequent date result in a change of control of the Company.

(f) To the extent known by the Company, at Admission the Company will not be owned or controlled by any specific party or group of parties.

(g) Ion Florescu is the Chairman of EFG Eurobank Finance SA. It is possible that EFG Eurobank Finance SA will provide broking services to RC2 in respect of the Trading Programme. If so any such services will be contracted on an arms length basis.

(h) Save as set out below, or as disclosed elsewhere in this document, no directorships of any company, other than the Company, have been held or occupied over the previous five years by any of the Directors, nor over that period has any of the Directors been a partner in a partnership:

Director	*Current Directorships*	*Former Directorships*
Howard Golden	Kazakhstan Investment Fund Romanian Investment Fund Terra Partners Limited Terra Factoring SA Herma Investments Limited Sunniva Investments Limited Beta Vietnam Fund Central European Privatization Fund LP Worldwide Opportunity Fund (Cayman) Limited	Restitution Investment Fund of the Czech Republic Restitution Investment Fund of the Slovak Republic Romanian Growth Fund Bulgarian Investment Fund Brookdale Global Opportunity Fund

Director	*Current Directorships*	*Former Directorships*
Ion Florescu	EFG Eurobank Finance SA Reconstruction Capital Plc Orgachim JSC Policolor SA Tidal Wave Trading Limited Romanian Reconstruction (Cyprus) Limited Reconstruction Management Limited Rolast SA New Europe Capital Limited New Europe Capital SRL	Capital Securities SA Manpel SA First Logistics & Distribution SA Terapia SA Titan Mar SA
Markus Winkler	Charlemagne Capital Russia Value Fund Discover Investment Company Kreuzfeld AG Reconstruction Capital Plc Romanian Investment Fund Undervalued Assets Property Fund VGZ Vermogensverwaltungs-Gesellschaft Zurich PXP Vietnam Fund	Fondcenter AG Fondvest AG OCCO Asia Fund
Franklin P Johnson Jr	Amgen Inc. Her Interactive Inc. Hypres Inc. Novocell Inc. San Francisco Opera AMC Partners 89 AMC Partners 96 AMP 2004 GP Asset Management Company Asset Management Partners	IDEC Pharmaceuticals Corporation Applied MicroCircuits Corporation Talkway Communications European Renaissance Capital Indo-Pacific Investment Company AMA Partners AMC Partners 84 AMA 89 Investment Associates

(i) Franklin P Johnson Jr acting in the capacity of a venture capital investor was non-executive director of Americal Laser Games and SBE Inc when they filed for Chapter 11 bankruptcy protection and of Saber Technologies when it filed for Chapter 7 bankruptcy protection in the US.

(j) Save as disclosed above, none of the Directors:

(i) has any unspent convictions in relation to indictable offences; or

(ii) has been bankrupt or the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or

(iii) has been a director of any company which, while he was a director or at any time within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors' voluntary liquidation, administration or company voluntary arrangement or made any composition or arrangement with its creditors generally or with any class of its creditors; or

(iv) has been a partner of any partnership which, while he was a partner or at any time within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement or had a receiver appointed to any partnership asset; or

(v) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies) or has 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.

8. DIRECTORS' SERVICE CONTRACTS AND EMOLUMENTS

(a) The services of Howard Golden, Ion Florescu, Franklin Johnson and Markus Winkler as non-executive directors are provided under the terms of letters of appointment between the Company and each of them dated 19 December 2005 for an initial period of 12 months, continuing thereafter subject to termination upon at least three months' notice by either party, at an initial fee of €25,000 per annum.

(b) There are no service or consultancy agreements in existence between any of the Directors and the Company which cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year.

(c) The estimated aggregate remuneration payable and benefits in kind to be granted to the Directors for the year ending 31 December 2006 which will be in force upon Admission is €100,000.

(d) There have been no changes in the last six months to Directors' service contracts or letters of appointment.

9. THE PLACING AGREEMENTS

(a) Pursuant to the Placing Agreement dated 19 December 2005 between the Company, the Directors, Rothschild Securities and Grant Thornton UK LLP, Rothschild Securities agreed, conditional upon, amongst other things, Admission taking place on or before 8.00 a.m. on 23 December 2005 (or such later time and/or date as the Company and Rothschild Securities may agree, not being later than 3.00 p.m. on 31 January 2006), to use its best endeavours to procure subscribers for the New Ordinary Shares proposed to be issued by the Company at the Placing Price.

The Placing Agreement contains warranties from the Company and the Directors and indemnities from the Company in favour of Rothschild Securities and Grant Thornton UK LLP, together with provisions which enable Rothschild Securities to terminate the Placing Agreement in certain circumstances before Admission, including circumstances where any of the warranties are found to be untrue, inaccurate or misleading in any material respect. The liability of the Company for breach of warranty or indemnity is limited to the net proceeds of the Placing. The liability of each Director for claims under the Placing Agreement is limited to two times the actual gross fees from the Company to such Director in the first complete year after Admission.

A commission equal to 3 per cent. of the Placing Price multiplied by the total number of New Ordinary Shares allotted by the Company on Admission to Rothschild Securities' placees is payable by the Company to Rothschild Securities and Rothschild Securities is entitled to set off its commission from monies subscribed by placees for the new Ordinary Shares.

The Directors have undertaken, subject to certain limited exceptions, that they and persons connected with them will not dispose of any interest in their Ordinary Shares within a period of one year from Admission.

(b) Pursuant to the Placing Agreement dated 19 December 2005 between the Company, the Directors, NEC London and Grant Thornton UK LLP, NEC London agreed, conditional upon, amongst other things, Admission taking place on or before 8.00 a.m. on 23 December 2005 (or such later time and/or date as the Company and NEC London may agree, not being later than 3.00 p.m. on 31 January 2006), to use its best endeavours to procure subscribers for the New Ordinary Shares proposed to be issued by the Company at the Placing Price.

The Placing Agreement contains warranties from the Company and the Directors and indemnities from the Company in favour of NEC London and Grant Thornton UK LLP, together with provisions which enable NEC London to terminate the Placing Agreement in certain circumstances before Admission, including circumstances where any of the warranties are found to be untrue, inaccurate or misleading in any material respect. The liability of the Company for breach of warranty or indemnity is limited to the net proceeds of the Placing. The liability of each Director for claims under the Placing Agreement is limited to two times the actual gross fees from the Company to such Director in the first complete year after Admission.

A commission equal to 3 per cent. of the Placing Price multiplied by the total number of New Ordinary Shares allotted by the Company on Admission to NEC London's placees is payable by the Company to NEC London from monies subscribed by placees for the New Ordinary Shares.

The Directors have undertaken, subject to certain limited exceptions, that they and persons connected with them will not dispose of any interest in their Ordinary Shares within a period of one year from Admission.

10. MATERIAL CONTRACTS

The following contracts, not being entered into in the ordinary course of business, have been entered into by the Company in the period since its incorporation:

(i) On 13 September 2005, the Company entered into an appointment letter with Grant Thornton Corporate Finance under which Grant Thornton Corporate Finance agreed to act as the Company's nominated adviser and to advise and assist the Company in respect of admission to AIM and on an ongoing basis until such appointment is terminated by ninety days written notice given by either party. The appointment letter contains indemnities given by the Company to Grant Thornton Corporate Finance.

(ii) On 19 December 2005, the Company entered into an agreement with Rothschild Securities under which Rothschild Securities agreed to act as the Company's broker and to advise and assist the Company in respect of its admission to AIM and on an ongoing basis until such appointment is terminated by ninety days written notice given by either party.

(iii) The Investment Management Agreement and Advisory Agreement referred to at paragraph 4 of Part 2 of this document.

(iv) The Placing Agreements referred to in paragraph 9 above of this Part 8.

(v) On 19 December 2005, the Company entered into the Administration Agreement with Euro-VL (Ireland) Limited. In performing its duties as administrator, registrar and receiving agent to the Company pursuant to the Administration Agreement, the Administrator shall administer the Company and in doing so shall perform certain administrative duties, including (i) assisting the Company secretary in the maintenance of the register of Shareholders, (ii) calculating the Net Asset Value and issue and repurchase price in respect of Shares and arranging for the publication of the same as set out herein, (iii) liaising with Shareholders, the Auditors and the Company's bankers on relevant administrative matters and generally performing any other secretary and administration services with respect to the Company as required from time to time. The Administrator shall be entitled to receive an annual administration fee up to a maximum of 0.17 per cent. of the Net Asset Value of the Company, calculated monthly in arrears, subject to a minimum annual fee of $50,000. The Company will also be required to pay a set up fee of $3,000 and also shareholder registration and financial statement preparation fees. The Administration Agreement provides that the Administrator shall be liable for any loss, damage, cost or expense directly suffered by the Company in connection with the performance by the Administrator of its duties and obligations resulting from the Administrator's gross negligence or fraud. The Administration Agreement may be terminated by any party giving ninety days' written notice. The Administration Agreement is also capable of summary termination in certain circumstances, including the occurrence and continuance of a material breach of the terms of the Administration Agreement and the occurrence of an insolvency event in respect of the Company or the Administrator, respectively.

(vi) On 19 December 2005, the Company entered into a Custodian Agreement with Société Générale SA based in Dublin, the Republic of Ireland. In performing its duties as custodian pursuant to the Custodian Agreement, the Custodian, acting through its branch, shall hold all cash, securities and all other assets and property belonging to the Company. The Custodian shall be entitled to receive an annual fee up to a maximum of 0.22 per cent. of the Net Asset Value of the Company, calculated monthly in arrears, subject to a minimum annual fee of $15,000. The Company shall also be responsible for out-of-pocket expenses (including any VAT charges) incurred by the Custodian in the proper performance of its duties as custodian.

The Custodian Agreement provides that the Custodian shall be liable to the Company or the Investment Manager for any direct loss suffered by any of them arising from the Custodian's negligence, fraud, bad faith, wilful default or recklessness in the performance of its duties. The Custodian Agreement also contains an indemnity in favour of the Custodian against all costs liabilities and expenses arising under the Custodian Agreement otherwise than as a result of the Custodian's negligence, fraud, bad faith, wilful default or recklessness.

The Custodian Agreement may be terminated by any party giving ninety days' written notice (or such lesser period as may be agreed from time to time). The Custodian Agreement is also capable of summary termination by any party in certain circumstances, including the occurrence and continuance of a material breach of the terms of the Custodian Agreement and the occurrence of an insolvency event in respect of the Company or the Custodian respectively.

(vii) The Company entered into a lock in agreement with UBS Fund Services (Cayman) Ltd acting as nominee for Northview Investment Fund Ltd ("Northview") on 19 December 2005 pursuant to which Northview agreed not to dispose of any interest it holds in Ordinary Shares within a period of twelve months following Admission except in certain restricted circumstances.

11. LITIGATION

Neither the Company nor the Subsidiary is engaged in any governmental, legal or arbitration proceedings which may have or have had, during the twelve months prior to the date hereof, a significant effect on the financial position or profitability of the Company and the Subsidiary, and no such governmental, legal or arbitration proceedings is known to the Directors to be pending or threatened against the Company or the Subsidiary.

12. WORKING CAPITAL

In the opinion of the Directors, having made due and careful enquiry, the working capital available to the Company and the Subsidiary will be sufficient for their present requirements, that is for the next twelve months from the date of Admission.

13. SIGNIFICANT CHANGE

There has been no significant change in the trading or financial position of the Company since 17 October 2005, the date of its incorporation.

14. GENERAL

(a) Other than professional advisers (as disclosed at page 54 of this document), no person has:

(i) received, directly or indirectly, from the Company within the 12 months preceding the date of this document; or

(ii) entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:

– fees totalling £10,000 or more;

– securities in the Company with a value of £10,000 or more calculated by reference to the issue price or, in the case of an introduction, the expected opening price; or

– any other benefit with a value of £10,000 or more at the date of this document.

(b) The Ordinary Shares have been created with the ISIN number KYG741521028.

(c) In addition to the Placing Proceeds the Directors reserve the right to raise further monies within six months following Admission.

(d) A breach of the investment restrictions set out in Part 1 of this document will be immediately notified to investors by means of a regulatory information services announcement.

(e) The total costs and expenses payable by the Company in connection with the Placing and Admission are estimated to amount to up to €834,000.

(f) The Company:

(i) has not entered into any significant investments during the period prior to the date of this document; and

(ii) does not have any investments in progress on which the Board has already made firm commitments.

(g) The Directors are unaware of:

(i) any significant recent trends in production, sales and inventory and costs and selling prices relating to the Company since the date of its incorporation to the date of this document;

(ii) any trends, uncertainties, demands, commitment or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year; and

(iii) any patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are or may be material to the Company's business or profitability.

(h) The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

(i) BDO Stoy Hayward LLP has given and not withdrawn its written consent to the inclusion in this document of its Accountant's Report set out in Part A of Part 6 of this document in the form and context in which it appears.

(j) Rothschild Securities has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

(k) NEC London has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they appear.

(l) Grant Thornton Corporate Finance has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

(m) The auditors of the Company are BDO Stoy Hayward LLP who were appointed on 19 December 2005. No previous auditors have been appointed. No accounts have been made up and no dividends have been declared by the Company since incorporation.

(n) The Placing will not proceed, and Admission will not take place, unless there has been a minimum take up under the Placing in the amount of €10,000,000. Unless the Company agrees otherwise, the minimum amount that an investor is able to subscribe is €100,000.

15. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of SJ Berwin LLP, 222 Gray's Inn Road, London WC1X 8XF during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document for a period of 14 days following Admission:

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

(b) the Accountant's Report on the Company set out in Part 6 of this document;

(c) the material contracts referred to in paragraph 10 above;

(d) the Directors' letters of engagement referred to in paragraph 8 above; and

(e) the written consents referred to in paragraph 14 above.

Dated 19 December 2005

Typeset and Printed by **Linkway CCP** L14658