



 BABCOCK & BROWN
PUBLIC PARTNERSHIPS



Prospectus 2008

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

A copy of this document, which comprises a prospectus relating to Babcock & Brown Public Partnerships Limited (the "Company"), prepared in accordance with the Prospectus Rules of the Financial Services Authority made pursuant to section 85 of the Financial Services and Markets Act 2000, has been delivered to the Financial Services Authority in accordance with Rule 3.2 of the Prospectus Rules.

Prospective investors should read this entire document and, in particular, the matters set out under the heading "Risk Factors" on pages 5 to 14, when considering an investment in the Company.

It is expected that an application will be made to the UK Listing Authority for all of the C Shares (issued and to be issued) to be admitted to the Official List and for all such C Shares to be admitted to trading on the London Stock Exchange's main market. It is expected that such admission will become effective, and that unconditional dealings in the C Shares will commence, on 22 April 2008.

The C Shares are not dealt in on any other recognised investment exchange and no other such applications have been made or are currently expected.

Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, for the raising of monies by the issue of the C Shares has been obtained. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard thereto.

Babcock & Brown Public Partnerships Limited

(incorporated in Guernsey with registered no 45421)

Placing and Offer for Subscription of C Shares of 0.01 pence each
at an Issue Price of 100 pence per C Share

and

Admission to the Official List and trading on the London Stock Exchange

Sponsor, Global Coordinator and Bookrunner

UBS Investment Bank

Joint Lead Managers

UBS Investment Bank

Macquarie Capital (Europe) Limited

The Company is targeting a raising of £140 million through the C Share Issue although the Company has the ability to increase the size of the Issue by up to 50 per cent. of the targeted amount.

The Company and its Directors, whose names appear on page 51 of this document, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Joint Lead Managers are acting for the Company and no-one else in connection with the Issue and will not regard any other person as their client in relation to the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to its clients nor for providing advice in relation to the Issue or any transaction or arrangement referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Joint Lead Managers by FSMA or the regulatory regime established thereunder, the Joint Lead Managers accept no responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by them, or on their behalf, in connection with the Company, the C Shares or the Issue. The Joint Lead Managers accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied is made or given by or on behalf of the Joint Lead Managers or any of their respective affiliates or any of such person's directors, officers or employees or any other person as to the accuracy, completeness or fairness of the information or opinions contained in this document and no responsibility or liability is accepted for any such information or opinions.

The C Shares offered by this document have not been and will not be registered under the United States Securities Act of 1933, or under the applicable state securities laws of the United States and, subject to certain exceptions, may not be offered or sold directly or indirectly in or into the United States, or to or for the account or benefit of any US person (within the meaning of Regulation S under the Securities Act). In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended.

Prospective investors should consider carefully (to the extent relevant to them) the notices to residents of various countries set out at pages 89 to 93 of this document.

Contents

SUMMARY	1
RISK FACTORS	5
IMPORTANT INFORMATION	15
EXPECTED TIMETABLE AND ISSUE STATISTICS	17
DIRECTORS, AGENTS AND ADVISERS	18
PART I—INFORMATION ON THE COMPANY	19
PART II—THE INFRASTRUCTURE MARKET AND CHARACTERISTICS OF THE COMPANY'S INVESTMENT PORTFOLIO	29
PART III—THE EXISTING PORTFOLIO	41
PART IV—THE C SHARE SEED PORTFOLIO	45
PART V—MANAGEMENT AND ADMINISTRATION	51
PART VI—ISSUE ARRANGEMENTS	54
PART VII—TERMS OF THE C SHARES AND CONVERSION	56
PART VIII—TAXATION	58
PART IX—FINANCIAL INFORMATION	63
PART X—ADDITIONAL INFORMATION	64
PART XI—CHECKLIST OF DOCUMENTATION INCORPORATED BY REFERENCE	88
NOTICES TO OVERSEAS INVESTORS	89
DEFINITIONS	94
TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION	102
NOTES ON HOW TO COMPLETE THE APPLICATION FORM	105
APPLICATION FORM	107

Summary

THE FOLLOWING INFORMATION IS BASED ON, AND SHOULD BE READ AS AN INTRODUCTION TO AND IN CONJUNCTION WITH, THE FULL TEXT OF THE PROSPECTUS AND ANY INVESTMENT DECISION RELATING TO THE ISSUE SHOULD BE BASED ON THE CONSIDERATION OF THE PROSPECTUS AS A WHOLE.

Where a claim relating to information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA States, have to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if this summary is misleading, inaccurate or inconsistent when read together with other parts of this Prospectus.

THE COMPANY

The Company is a limited liability, Guernsey incorporated investment company. The Company offers Shareholders an exposure to investment in infrastructure assets, particularly those with a public or social character such as those developed by public bodies under private finance initiative (“PFI”) or public private partnership (“PPP”) procurement.

The Existing Ordinary Shares were admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities on 9 November 2006. The Company had a market capitalisation of £319.5 million (as at 13 March 2008), and NAV of £330.4 million (as at 31 December 2007).

Babcock & Brown Investment Management Limited (the “Investment Adviser”, “Operator” or “BBIML”), an investment manager authorised and regulated in the UK by the FSA, acts as investment adviser to the Company and as operator of the Partnership.

INVESTMENT OPPORTUNITY

An investment in the Company will provide Shareholders with exposure to the PPP/PFI infrastructure asset class which the Directors believe is attractive because of:

- yields which are attractive relative to the asset risk profile;
- the likelihood of long-term stable cashflows and growth potential in the asset class;
- high barriers to entry;
- predictable, low volatility returns;
- limited exposure to changes in the business cycle;
- creditworthy counterparties;
- the experience and track record of Babcock & Brown; and
- the development and origination capacity of Babcock & Brown and its pipeline of investments.

In particular the Directors believe that the Company’s trading history to date suggests that the market performance of the Company’s share capital tends to be relatively uncorrelated with the listed UK equity market generally. Since listing of the Ordinary Shares pursuant to the Initial Public Offer and as at 13 March 2008 the Ordinary Shares price has outperformed the FTSE All Share by 15.2 per cent.

THE ISSUE

The Company is targeting a raising of £140 million by way of an Issue of C Shares that will convert into Ordinary Shares shortly after the conversion trigger (which itself shall be no later than 6 months after Admission). The Net Issue Proceeds will be used to finance the Acquisition of the C Share Seed Portfolio from Babcock & Brown or to discharge debt incurred to acquire the C Share Seed Portfolio and to meet associated costs and, the Directors anticipate, to finance the acquisition of Further Investments after Admission and/or to discharge debt incurred to acquire Further Investments after Admission. Should the Acquisition not complete, all the Net Issue Proceeds will be used to fund the acquisition of Further Investments after Admission and/or to discharge debt incurred by the Group to acquire Further Investments after Admission.

Application has been made for the C Shares to be admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities. Applications will be made in due course for the Ordinary Shares into which the C Shares will convert to be admitted to the Official List and to trading on the London Stock Exchange’s main market for listed securities.

INVESTMENT OBJECTIVES

The Company will seek to provide Shareholders with long-term distributions at levels that are both sustainable and which preserve the capital value of the Group’s infrastructure investments over the long-term. The Directors believe that long-term capital growth can also be achieved. The Company will target a minimum dividend on its Ordinary Shares of 5.4 pence per Ordinary Share per annum.¹ The Company will aim to maintain and enhance this distribution.

The Company will target an IRR of 8 to 9 per cent.¹ on the Initial Public Offer issue price of 100 pence per Ordinary Share over the long-term.

¹ These are targets only and not profit forecasts. There can be no assurance that these targets will be met or that the Company will make any distributions whatsoever.

INVESTMENT POLICY

The Company's investment policy is to invest in public or social infrastructure assets located in the UK, Europe, Australia, North America and, it is anticipated, in due course, in other parts of the world.

The Group intends to continue acquiring both operational and construction phase assets from Babcock & Brown and/or third party vendors. The Group intends to hold its infrastructure investments for the long-term to provide income and capital growth. The Group will seek to enhance the capital value of its investments and the income derived from its investments through the ongoing management of the portfolio.

The Group intends to acquire Further Investments within any of the following parameters:

- investments with characteristics similar to the existing assets of the Company;
- investments in other assets or concessions having a public infrastructure character and in respect of which availability, property rental, or user demand based payments are or will become payable; or
- investments in infrastructure assets or concessions which, based on the advice of the Investment Adviser, the Directors believe have high barriers to entry and expect to generate an attractive total rate of return over the whole life of the investments.

While there are no restrictions on the amount of the Company's assets which may be invested in any one area or sector, the Group will, over the long-term, seek a spread of investments both geographically and across industry sectors in order to achieve a broad balance of risk in the Investment Portfolio. The actual asset allocation will depend upon the development of the infrastructure market, market conditions and the judgment of the Board and the Investment Adviser as to what is in the best interests of Shareholders.

Further investments will be sourced by BBIML as the Investment Adviser and Operator and it is likely that a number of these will be investments that have been originated and developed by, and will be acquired from, Babcock & Brown. The Directors believe, based on the advice of the Investment Adviser, that the Company continues to have the opportunity to invest in further infrastructure investments meeting the Company's investment policy and that the number and size of these opportunities is likely to increase as methods of procurement of public infrastructure such as PPPs continue to be adopted and developed in various countries.

THE EXISTING PORTFOLIO

The Existing Portfolio consists of direct or indirect interests in Investment Capital in 14 projects developed under the Private Finance Initiative of the UK Government; six projects developed under the UK National Health Service LIFT (Local Improvement Finance Trust) programme ("NHS LIFT") and 10 PPP or other-type projects located in certain states within Australia, Belgium, Canada, France, Germany and Ireland. The Existing Portfolio consists of Investment Capital invested directly or indirectly in Project Entities which have:

- a direct or indirect entitlement to public sector or government backed revenues or, in the case of one asset, toll revenues;
- finished construction or are in the course of construction of public or social infrastructure facilities for the provision of services relating to health facilities, schools, government offices, courthouses, police and custodial facilities, rail infrastructure and rolling stock, showgrounds and a road tunnel or which are operating transport concessions; and
- contractual structures that generally provide for the majority of construction and operational project risks to be "passed down" by the Project Entity to subcontractors who take responsibility for the discharge of the bulk of these liabilities subject to pre-defined caps on liability.

THE C SHARE SEED PORTFOLIO

The Group has entered into conditional Acquisition Agreements to acquire the C Share Seed Portfolio from Babcock & Brown.

Conditional on the Group having secured funding, which is intended to be satisfied through the Issue, the Group will acquire the C Share Seed Portfolio from the Vendors. The C Share Seed Portfolio consists of direct or indirect interests in Investment Capital in three projects developed under the PPP programmes of Australia, Belgium and Italy and eight projects developed under the NHS LIFT programme. All of the investments comprised in the C Share Seed Portfolio are in respect of public or social infrastructure facilities for the provision of health services other than one rail infrastructure project, and otherwise have similar contractual structures to the Existing Portfolio.

THE INVESTMENT ADVISER AND THE OPERATOR

Babcock & Brown will continue to be responsible for carrying out investment management and advisory functions for the Group, through its wholly owned subsidiary BBIML. Babcock & Brown has a team of specialists working in 30 offices around the world with extensive experience of originating, developing and managing public infrastructure projects. As at 31 December 2007, Babcock & Brown had in excess of A\$31 billion of infrastructure assets under management.

Babcock & Brown has originated, developed or provided financial advisory services in respect of all the investments comprised in the Existing Portfolio and the C Share Seed Portfolio. The Group and the Investment Adviser anticipate retaining access to, and benefiting, from the experience of the management teams and personnel who have been responsible for the development of these projects to date.

To the extent that the gross proceeds of the Issue are less than £140 million after subscriptions by all other investors have been satisfied, the Arranger has committed that it or another member of the Babcock & Brown group will subscribe for up to 8.33 per cent. of the C Shares comprised in the Issue, reflecting Babcock & Brown's existing shareholding in the Company. Subject to this obligation, the Arranger (or another member of the Babcock & Brown group) may, but is not obliged to, subscribe for up to 8.33 per cent. of the C Shares comprised in the Issue after subscriptions by all other investors have been satisfied.

REASONS FOR THE ISSUE OF C SHARES, TIMING AND CONVERSION

The issue of further equity in the form of C Shares is designed to mitigate the potential disadvantages for both new and Existing Shareholders which may arise out of a conventional fixed price issue of further Ordinary Shares for cash. The Net Issue Proceeds and the investments acquired with them will be accounted for and managed as a separate pool of assets until Conversion. Conversion will occur shortly following the Calculation Time, being the earlier of:

- such date on which 80 per cent. of the C Share Assets have been invested in accordance with the Company's investment policy;
- six months after Admission of the C Shares; or
- the occurrence of Force Majeure Circumstances (or when they are contemplated by the Directors).

The number of Ordinary Shares issued to a C Shareholder on Conversion will be calculated by reference to the respective net asset values of the C Shares and the Ordinary Shares as at the Calculation Time.

The Offer for Subscription will open on 18 March 2008 and the latest time for receipt of Application Forms under the Offer for Subscription will be 12 noon on 16 April 2008. The latest time for receipt of commitments under the Placing will be 5.00 pm on 16 April 2008. Admission to the Official List and unconditional dealings in the C Shares are expected to commence at 8.00 am on 22 April 2008.

DISTRIBUTION POLICY

The Company will continue to target a minimum dividend on its Ordinary Shares of 5.4 pence per Ordinary Share per annum.² Distributions on the Ordinary Shares are expected to be paid twice a year, normally in respect of the six months to 30 June and 31 December, and are expected to be made by way of dividend.

As Conversion of the C Shares to Ordinary Shares will occur shortly after the Calculation Time which will be no later than six months following Admission, the Directors do not intend to declare a dividend in respect of the C Shares. C Shareholders who do not dispose of the Ordinary Shares issued to them on Conversion will be entitled to any dividends declared and paid in respect of such Ordinary Shares after Conversion.

Subject always to the requirements of the Laws, the first such dividend in respect of the Ordinary Shares after Conversion is expected to be declared in respect of the period ending 31 December 2008.

BORROWING POLICY

The Company may from time to time make prudent use of leverage to enhance returns to investors, to finance the acquisition of investments and to satisfy working capital requirements. The Group's outstanding borrowings, including any financial guarantees to support outstanding subscription obligations in relation to investments, are limited to 50 per cent. of the Gross Asset Value of its investments and cash balances, with the Group having the ability to borrow in aggregate up to 66 per cent. of the Gross Asset Value on a short term (i.e. less than 365 day) basis if considered appropriate.

For this purpose, outstanding borrowings exclude intra-group borrowings and debts of the Group's underlying investments. The Group may borrow in currencies other than GBP.

DISCOUNT MANAGEMENT

In order to assist in the narrowing of any discount to the Net Asset Value at which the Ordinary Shares may trade from time to time, the Company may, at the sole discretion of the Directors, make market purchases of up to 14.99 per cent. per annum of its issued Ordinary Shares.

FEES AND EXPENSES

BBIML is entitled to: (a) an annual Base Fee equal to 1.2 per cent. per annum of the Gross Asset Value of the Investment Portfolio; and (b) an Incentive Fee in respect of each Incentive Period equal to 20 per cent. of the excess (if any) of the Ordinary Share Return over the Benchmark Return in the relevant Incentive Period. No Base Fee is charged on such part of the proceeds of the Issue that are not invested or committed to be invested, until such time the relevant part of the Issue proceeds are invested or committed to be invested. No Incentive Fee is payable in respect of the C Shares.

The Group will also pay its ongoing operating expenses which include administration, registrar, and general transactional fees and expenses. The Group will also pay certain Operator overhead expenses. The Group has also entered into a Financial Advisory Mandate with the Arranger that provides that where the Arranger undertakes financial advisory services to the Group in relation to acquisitions and financings and capital raisings, additional fees will be payable to the Arranger.

² This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions whatsoever.

RISK FACTORS

Typical investors in the Company are expected to be institutional and sophisticated investors and private clients. Investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before making an investment in the Company.

Risk factors affecting the Company, the C Shares and the Ordinary Shares include, but are not limited to, the following.

- There is no guarantee that the Company will achieve its investment objectives. An investment in the C Shares and the Ordinary Shares is only suitable for investors who have sufficient resources to be able to bear any losses that may arise from that investment (such losses may be equal to the whole amount invested).
- The Company is a single legal entity and all liabilities, irrespective of whether they are attributable to C Shares or the Ordinary Shares, shall, unless otherwise agreed upon with the relevant creditors, be binding on the Company as a whole. No measures have been taken to mitigate this risk of cross-contamination of liabilities.
- Project Agreements for infrastructure projects may be terminated in certain circumstances. In some circumstances there will be no compensation on termination or the compensation received will be insufficient to repay the acquisition cost of Investment Capital invested in the Project Entity.
- Infrastructure projects rely on large and detailed financial models. Errors in the assumptions or methodology used in the financial models may mean that the investment return from the Project Entity will be less than expected. Returns may also be affected negatively as well as positively by, *inter alia*, inflation, lifecycle replacement costs and deposit interest rates where these differ from those assumed in the models.
- The financial models for Project Entities are typically based on the fact that construction and other risks of operating the relevant concessions are substantially assumed by subcontractors. The Project Entities may be exposed to increased cost or other liability where this does not happen, for example as a result of the operation of contractual limits of liability, contractor default or insolvency or defective contractual provisions.
- PFI and PPP are not the only means of funding infrastructure projects and the use of such funding mechanisms in future may decrease. If there is such a change in policy, there is a risk that Public Sector Clients may seek to terminate existing PFI and PPP type projects, although without other contractual justification this would lead to compensation.
- Any change in law or regulation (including any general change in tax rates) or change in tax status of the Group or any Project Entity in which the Group invests may adversely affect investment returns of the Group.

Risk Factors

Investment in the Company carries a degree of risk including the risks in relation to the Company, the C Shares and the Ordinary Shares referred to below. The risks referred to below are risks which are considered to be material but are not the only risks relating to the Company, the C Shares and the Ordinary Shares. There may be additional material risks that the Company and the Directors do not currently consider to be material or of which the Company and the Directors are not currently aware. Potential investors should review this document carefully and in its entirety and consult with their professional advisers before acquiring any C Shares. If any of the risks referred to in this document were to occur, the financial position and prospects of the Company could be materially adversely affected. If that were to occur, the trading price of the C Shares and/or the Ordinary Shares and/or their Net Asset Value and/or the level of dividends or distributions (if any) received from the C Shares and/or the Ordinary Shares could decline significantly and investors could lose all or part of their investment.

A. INTRODUCTION

An investment in the Company is suitable only for investors: who are capable of evaluating the risks and merits of such investment; who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company; for whom an investment in C Shares and/or Ordinary Shares constitutes part of a diversified investment portfolio; who fully understand and are willing to assume the risks involved in investing in the Company; and who have sufficient resources to bear any loss (which may be equal to the amount invested) which might result from such investment. Typical investors in the Company are expected to be institutional and sophisticated investors and private clients. Investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before making an investment in the Company.

As described in Part VII of this Prospectus and in accordance with the provisions set out in Part X of this Prospectus the C Shares will convert into Ordinary Shares which are designed to be held over the long-term, and both the C Shares and the Ordinary Shares may not be suitable as short-term investments. There is no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment.

Any investment objectives of the Company are targets only and should not be treated as assurances or guarantees of performance.

B. RISKS ASSOCIATED WITH THE EXISTING PORTFOLIO, THE C SHARE SEED PORTFOLIO AND FURTHER INVESTMENTS

The Existing Portfolio consists of direct and indirect interests in Investment Capital in:

- fourteen projects developed under the PFI programme of the UK government;
- six projects developed under the NHS LIFT programme;
- five projects developed under the PPP programmes of various states within Australia; and
- five other projects, one each developed in Belgium, Canada, France, Germany and Ireland.

The Group intends to acquire the C Share Seed Portfolio from the Vendors. The C Share Seed Portfolio consists of direct and indirect interests in Investment Capital in:

- three projects, one each developed in Australia, Belgium and Italy; and
- eight projects developed under the NHS LIFT programme.

Following the Acquisition, the Group also intends to make Further Investments.

Specific risk factors apply to investment in the Existing Portfolio, C Share Seed Portfolio and to Further Investments that the Group intends to make as detailed below.

LIMITS ON VENDORS' LIABILITIES

Under the Acquisition Agreements, the Vendors will provide various warranties for the benefit of the Group in relation to the Acquisition, including in relation to such matters as having obtained any necessary consents, and possessing title to interests in Investment Capital to be acquired. The Buyside Committee have also undertaken due diligence on the assets proposed to be acquired pursuant to the Acquisition Agreements. However, such warranties will be subject to disclosure, time limitations and a liability cap and to the extent that such warranties are ineffective or any loss suffered by the Group arises outside of such limitations, or exceeds such cap, it will be borne by the Group.

COMPLETION RISK

Completion of the Acquisition under the Acquisition Agreements is expected to occur after Admission. Although the Vendors are contractually obliged to complete the transfer of the interests in the projects comprising the C Share Seed Portfolio, there is a risk that they default on their obligations to complete the Acquisition in accordance with the Acquisition Agreements. If such default occurs, the Group may have to instigate legal proceedings against one or more of the Vendors to enforce their rights under the Acquisition Agreements or to seek damages. It is also possible that the acquisition of some, but not all, of the assets in the C Share Seed Portfolio will complete.

FURTHER ACQUISITIONS

The Group intends to acquire Further Investments, although there is no guarantee that any such acquisitions will occur. There are currently no acquisition agreements in place between the Group and the owners of Further Investments and there is no guarantee that any such acquisition agreements will be entered into.

TERMINATION OF PROJECT AGREEMENTS

Typically with respect to PFI/PPP projects, both the Project Entity and the Public Sector Client have the right to terminate a Project Agreement in certain defined circumstances. The compensation (if any) to which the Project Entity will be entitled on termination will depend on the reason for termination and the terms of the Project Agreement. In some cases there may be no compensation. In other cases (including termination for force majeure), the amount of compensation payable (if any) may cover neither the full amount of senior debt secured on that Project Entity nor the nominal value of the Investment Capital invested in the Project Entity (nor any amount paid in the market for that Investment Capital). For these purposes, senior debt can be taken to include the costs (or gains) arising from breaking any interest rate hedging arrangements. Typically, senior lenders will have security over any compensation proceeds. In other termination circumstances such as Public Sector Client default, any compensation may cover senior debt and the return of some Investment Capital, but not necessarily the amounts paid for the acquisition of the Investment Capital by the Group.

For NHS LIFT projects, there are no provisions under the Project Agreement providing for compensation to be paid to the Project Entity in a termination scenario. This is due to the fact that the Project Entity owns the building and the land on which it is built and is therefore left with an asset which it can use, develop or dispose of following termination of the Project Agreement, subject to the terms of any security over the asset, title issues, other third party lettings affecting the site and the Public Sector Clients' rights to purchase the site under certain circumstances.

FINANCIAL MODELLING

Infrastructure projects rely on large and detailed financial models. There is a risk that errors may be made in the assumptions or methodology used in a financial model. In such circumstances the returns generated by the Project Entity may be less than expected.

TARGETED RETURNS OF PROJECT ENTITIES

The Group will make investments based on estimates or projections of investment cash flows. There can be no assurance that the actual investment cash flows will equal or exceed those expected and that the stated targeted return to Shareholders will be achieved.

INFLATION/DEFLATION

The revenues and expenditure of Project Entities developed under PFI/PPP are frequently partly or wholly subject to indexation. From a financial modelling perspective, an assumption is usually made that inflation will increase at a long-term rate (which may vary depending on country and from time to time). The effect on investment returns if inflation overshoots or undershoots the original projections for this long-term rate is dependent on the nature of the underlying project earnings and any unitary charge indexation provisions agreed with the Public Sector Client on any project. For those schemes where the income stream is indexed and the project is exposed to inflation risk (and where this risk has not been laid off by, for example, index linked funding), increases above and decreases below the projected rate will have a more beneficial/detrimental effect on Shareholder returns than those which take no or limited inflation risk.

BENCHMARKING/MARKET TESTING

A Project Agreement for accommodation-based PFI/PPP projects with availability-based payment streams will often contain benchmarking and/or market-testing regimes in respect of the cost of providing certain services, which operate periodically, typically every five years. These mechanisms may expose the Project Entity to the potential losses or gains arising from changes in some of its costs relative to the charges that it is then entitled to receive from the Public Sector Client as a result of the benchmarking/market-testing regimes.

LIFE CYCLE COSTS

During the life of an investment, components of the project assets or building (such as elevators, roofs and air handling plant in a building, or parts in a rail vehicle) will need to be replaced or undergo a major refurbishment. The timing of such replacements or refurbishments is forecast based upon manufacturers' data and warranties and specialist advisers are usually retained by the Project Entities to assist in such forecasting of lifecycle timings and costs. However, shorter than anticipated asset lifespans or costs or inflation higher than forecast may result in life cycle costs being more than anticipated. Any cost implication, not otherwise passed down to subcontractors, will generally be borne by the affected Project Entities.

INSURANCE

A Project Entity will usually be responsible under its Project Agreement for maintaining insurance cover for, amongst other things, buildings, other capital assets, contents and third party risks (for example arising from damage to property). Typically, the Project Entity takes the risk that the cost of maintaining the insurance may be greater than expected and that in some circumstances it may not be able to obtain the necessary insurance. Where insurance is not obtainable, in the case of PFI/PPP projects, the Project Agreement usually provides that the Public Sector Client may, in certain circumstances, arrange to insure the relevant risks itself. If a risk then subsequently occurs, the Public Sector Client can typically choose whether to let the Project Agreement continue, and pay to the Project Entity an amount equal to the insurance proceeds which would have been payable had the insurance been available (excluding in certain cases amounts which would have been payable in respect of Investment Capital), or terminate the Project Agreement and pay compensation on the basis of termination for force majeure (see above under "Termination of Project Agreements"). Certain risks may be uninsurable in the insurance market or subject to exclusions

of general events (e.g. the effect of war) and in such cases the risks of such events will rest with the Project Entity. In the case of NHS LIFT projects, where insurance is unavailable, the Project Entity is obliged to liaise with the relevant Strategic Partnering Board as to whether or not the Project Agreement should be terminated.

CHANGE IN TAX LAW AND PRACTICE

Financing structures of Project Entities are based on assumptions regarding prevailing taxation law and practice. Any change in a Project Entity's tax status or in tax legislation (including in relation to taxation rates) could adversely affect the investment return of the Project Entity. If returns from Investment Capital reach a high level, there is also a risk that governments may seek to recoup returns that they deem to be excessive either on individual projects or more generally.

CHANGE IN LAW

A Project Entity may incur increased costs or losses as a result of changes in law or regulation.

CHANGE IN POLICY

PFI and PPP are not the only means of funding public infrastructure projects and the use of such funding mechanisms in future may decrease. If there is such a change in policy in any relevant jurisdiction there is a risk that Public Sector Clients may seek to terminate existing PFI and PPP type projects where contractual provisions allow this. While such contractual termination should lead to compensation being payable it might not be sufficient to cover the amounts invested in, or paid for the acquisition of, the Investment Capital by the Group.

EXCEEDED LIABILITY LIMITS

Where Project Entities have entered into subcontracts, the subcontractors' liabilities to a Project Entity for the risks they have assumed will typically be subject to financial caps and it is possible that these caps may be exceeded in certain circumstances. Any loss or expense in excess of such a cap would be borne by the Project Entity unless covered by the Project Entity's insurance.

BUILDING DEFECTS

Project Entities typically subcontract design and construction activities in respect of projects. The subcontractors responsible for the construction of a project asset will normally retain liability in respect of design and construction defects in the asset for a statutory period (which varies between countries) following the construction of the asset, subject to liability caps. The Project Entity will not normally have recourse to any third party for any defects which arise after the expiry of these limitation periods.

ENVIRONMENTAL LIABILITIES

To the extent there are environmental liabilities arising in future in relation to any sites owned or used by a Project Entity, including, but not limited to, clean-up and remediation liabilities, such Project Entity may, subject to its contractual arrangements, be required to contribute financially towards any such liabilities, and the level of such contribution may not be restricted by the value of the sites or by the value of the Group's total investment in the Project Entity.

SUBCONTRACTOR SERVICE FAILURES

If a subcontractor to a Project Entity fails to perform the services which it has agreed to provide, the Project Entity may fail to meet the service standards it has agreed with its Public Sector Client and there may be a reduction in the payments that the Project Entity is entitled to receive, and/or claims by the Public Sector Client for damages. These reductions and/or claims are typically passed on to the relevant subcontractor, subject to any contractual liability caps.

If there is a subcontractor service failure and the relevant subcontractor or its guarantors or insurers fail to meet their obligations in respect of the liabilities that have been passed on to them then, to the extent the liability cannot be set off against service fees, the Project Entity will not be compensated for any reductions in payments and/or claims made by the Public Sector Client which it suffers as a result of the subcontractor's service failure. Ultimately such service failure could lead to termination of a Project Agreement with or without compensation.

RELIANCE ON SUBCONTRACTORS

In some instances in respect of the Existing Portfolio and the C Share Seed Portfolio, a single subcontractor is responsible for providing services to various Project Entities in which the Group invests or intends to invest. In such instances, the default or insolvency of such single subcontractor could adversely affect a number of the Group's investments.

Following the Acquisition, the Group may acquire Further Investments including established portfolios of investments in Project Entities. Those Project Entities may already have appointed subcontractors for the duration of their concessions. Although the Group will aim to avoid an excessive reliance on any single subcontractor, and will have regard to this concern when making Further Investments, there may be some degree of risk in this respect in relation to the Existing Portfolio, the C Share Seed Portfolio or across the Group's future expanded total portfolio.

TERMINATION OF SUBCONTRACTORS

If there is a subcontractor service failure which is sufficiently serious to cause a Project Entity to terminate a subcontract, or an insolvency in respect of a subcontractor, or the Public Sector Client requires the Project Entity to terminate a sub contract in such event, there may be a loss of revenue during the time taken to find a replacement subcontractor and the replacement

subcontractor may levy a surcharge to assume the subcontract or charge more to provide the services. There will also be costs associated with the re-tender process. These may not be recoverable from the defaulting subcontractor.

DEFECTS IN CONTRACTUAL ARRANGEMENTS

The contractual arrangements made by a Project Entity may not be as effective in passing on risks to its subcontractors as intended and this may result in unexpected costs or a reduction in expected revenues for the Project Entity. Certain provisions in sub-contracts intended to pass risk could be ineffective.

PUBLIC SECTOR CLIENT DEFAULT

The concessions granted to Project Entities comprised within the Existing Portfolio and the C Share Seed Portfolio are predominantly granted by a variety of Public Sector Clients including but not limited to central government departments, local and state governments and statutory corporations. Although the creditworthiness and power of each such body to enter into Project Agreements has been considered on a case-by-case basis, the possibility of a default remains. It is not certain that central government will in all cases assume liability for the obligations of local and state governments and statutory corporations in the absence of a specific guarantee, or that central governments will themselves not default on their obligations.

COVENANTS FOR SENIOR DEBT

The covenants provided by a Project Entity in connection with its senior debt are normally extensive and detailed. If certain covenants are breached, payments on Investment Capital are liable to be suspended. Additionally if an event of default occurs the senior lenders may become entitled to “step-in” and take responsibility for, or appoint a third party to take responsibility for, the Project Entity’s rights and obligations under the Project Agreement. In addition, in such circumstances the senior lenders will typically be entitled to enforce their security over Investment Capital in the Project Entity or over its assets and to sell the Project Entity or its assets to a third party. The consideration for any such sale is unlikely to result in any payment in respect of the Group’s investment in the Project Entity.

OPERATIONAL RISK

A number of Project Entities within the Existing Portfolio and the C Share Seed Portfolio involve the provision of services. The contractual or other arrangements for the provision of these services may not be as effective as intended and/or may result in unexpected costs or a reduction in expected revenues for the Project Entity. Where responsibility for the provision of services is subcontracted, recourse against the subcontractor will be subject to liability caps and may be subject to default or insolvency on the part of the contractor.

CONSTRUCTION RISK

A number of the Project Entities within the Existing Portfolio and the C Share Seed Portfolio remain in the construction phases of their concessions and are not yet cash generative. The Group may acquire further interests in Project Entities which are similarly in the construction phases of their concessions. Where delay is caused which is attributable to the contractor, the contractual arrangements made by a Project Entity may not be as effective as intended and/or contractual liabilities on the part of the Project Entities may result in unexpected costs or a reduction in expected revenues for the Project Entity and recourse against the contractor will be subject to liability caps and may be subject to default or insolvency on the part of the contractor.

INDUSTRIAL RELATIONS RISK

Industrial action involving a subcontractor to a Project Entity may result in unexpected costs or a reduction in expected revenues for the Project Entity.

DEMAND RISK

One of the Project Entities within the Existing Portfolio (RiverCity Motorway) is reliant on revenues receivable from users and thus is exposed to full demand risk. There is a risk that, upon construction completion and the opening of the asset for use by users, demand and revenues fall below the current projections and this may result in a reduction in expected revenues for that Project Entity. Others of the Project Entities (including those operating “availability-based” projects where the bulk of payments are based on making the facilities available for use and do not depend substantially on the demand for or use of the project) may depend in part on additional revenue from ancillary activities, for example letting of school accommodation for out of hours use. The amount of additional revenue received from any such activities may be variable and less than projected.

The Group may make additional investments in Project Entities which have “demand-based” concessions where the payments received by the Project Entities depend on the level of use made of the project assets. There is a risk that the level of use of the project assets and therefore the returns from such Project Entities will be lower than expected.

INSURANCE MEDIATION DIRECTIVE

There is a risk that Project Entities involved in UK PFI/PPP projects could be deemed to carry out activities described as insurance mediation. If this were the case, a Project Entity could find itself open to criminal prosecution if it arranged insurance on behalf of other parties in a project without obtaining authorisation from the FSA.

The FSA has issued guidance which suggests that authorisation is not required. The guidance states that the need for authorisation will only arise if the Project Entity is carrying on insurance mediation by way of business on behalf of third parties for remuneration and that a Project Entity that takes on contractual obligations in relation to the arranging of insurance on behalf of other parties involved in a project will not be regarded as providing insurance mediation services to third parties for remuneration.

The guidance only covers typical UK PFI/PPP projects (that is a project involving the provision of works and/or services by one party to another governed by a long-term project agreement and having certain types of insurance related provisions) and is not binding on the FSA. The FSA notes in its guidance that the interpretation of relevant legislation is “ultimately a matter for the courts to determine”.

UNTESTED NATURE OF LONG-TERM OPERATIONAL ENVIRONMENT

Given the long-term nature of infrastructure concession contracts, and the fact that infrastructure is a relatively new investment class, there is as yet no experience of long-term operational problems that may arise in the future and which may affect infrastructure projects and Project Entities and therefore the Group’s investment returns.

CORRUPT GIFTS

Typically the Public Sector Client will have the right to terminate the Project Agreement where the Project Entity or a shareholder or subcontractor (or one of their employees) has committed bribery, corruption or other fraudulent act in connection with the Project Agreement. Most Investment Capital will not be compensated in these circumstances.

MARKET VALUE OF INVESTMENTS

Returns from the Group’s investments will be affected by the price at which they are acquired. The value of these investments will be (amongst other risk factors) a function of the discounted value of their expected future cash flows, and as such will vary with, *inter alia*, movements in interest rates and the competition for such assets.

LIQUIDITY OF INVESTMENTS

The majority of investments made by the Group will comprise unquoted interests in Project Entities which are not publicly traded or freely marketable and a sale may require the consent of other interested parties. Such investments may therefore be difficult to value and realise. Such realisations may involve significant time and cost.

RISK OF LIMITED DIVERSIFICATION

Other than some holdings in cash or cash equivalents, near cash instruments, money market instruments and money market funds, cash funds and hedging instruments, the Group will invest exclusively in infrastructure-related investments and will therefore bear the risk of investing in only one asset class.

COUNTERPARTY RISK

Investments made by the Group depend on the timely and accurate performance of obligations by contractual counterparties. Although the Group will take reasonable steps to conduct adequate due diligence in respect of such counterparties, such counterparties may fail to perform their obligations in the manner anticipated by the Group. This may result in unexpected costs or a reduction in expected revenues for the Group.

SUBORDINATED DEBT IN LIFT SCHEMES

The Existing Portfolio and the C Share Seed Portfolio include interests in subordinated debt issued in respect of various NHS LIFT projects (described in Parts III and IV of this document) without any accompanying shareholding interest in the relevant schemes. Such subordinated debt, while secured, ranks behind the interests of senior debt issued in respect of such projects. In the event of any default in payment in respect of the senior debt the Group’s ability to (amongst other things) enforce payment will be prejudiced by the terms of the priority arrangements applicable between it and the senior lenders.

RESIDUAL VALUE

In some projects, the land and/or buildings remain in the ownership of the Project Entity at the end of the concession period. There can be no assurance that actual residual values will equal or exceed those expected or projected at the end of the concession period.

NON-PUBLIC SECTOR CLIENT REVENUES

In some Project Agreements, the projected income of the Project Entities assumes a level of third party or non-Public Sector Client revenues from use of the project’s facilities. There can be no assurance that actual third party revenues will equal or exceed those expected and projected.

GEOGRAPHICAL AND POLITICAL CONSIDERATIONS

The Group may make investments in countries outside the UK, Australia, Belgium, Canada, France, Germany, Ireland and Italy. Different laws will apply in such countries and investments in such countries may be affected by change in law, political climate, economic factors, tax regimes or by other changes that cannot be easily foreseen.

ABILITY TO FINANCE FURTHER INVESTMENTS

To the extent that it does not have cash reserves pending investment, the Group will need to finance Further Investments either by borrowing or issuing further Shares. Although the Group expects to be able to borrow on reasonable terms and that there will be a market for further Shares, there can be no guarantee that this will always be the case.

C. GENERAL RISKS ASSOCIATED WITH INVESTING IN THE COMPANY

NO GUARANTEE OF RETURN

A prospective investor should be aware that the value of an investment in the Company is subject to normal market fluctuations and other risks inherent in investing in securities. There is no assurance that any appreciation in the value of the C Shares or the Ordinary Shares will occur or that the investment objectives of the Company will be achieved. The value of investments and the income derived therefrom may fall as well as rise and investors may not recoup the original amount invested in the Company.

In particular, prospective investors should be aware that the periodic distributions made to Shareholders will comprise amounts periodically received by the Group in repayment of, or distribution on, its Investment Capital in Project Entities. Although it is envisaged that receipts from Project Entities over the life of their concessions will generally be sufficient to fund such periodic distributions while preserving the value of the Group's original investments in the Project Entities over the long-term, this cannot be guaranteed.

The Company's targeted returns for the Ordinary Shares and the C Shares are based on assumptions which the Directors consider reasonable. However, there is no assurance that all or any assumptions will be justified, and the Company's return may be correspondingly reduced. In particular, there is no assurance that the Company will achieve its distribution and IRR targets.

ORDINARY SHARES AND C SHARES

The value of the Ordinary Shares and the C Shares and income derived from them (if any) can go down as well as up. Notwithstanding the existence of the share buyback powers as described in Part I of this document, there is no guarantee that the market price of either the Ordinary Shares or the C Shares will fully reflect their respective underlying Net Asset Values. In the event of a winding-up of the Company, Shareholders will rank behind any creditors of the Company and, therefore, any positive return for Shareholders will depend on the Company's assets being sufficient to meet the prior entitlements of any creditors.

CROSS-LIABILITY RISK BETWEEN ORDINARY SHARES AND C SHARES

While the Company will operate its records and bank accounts to create and maintain a segregated pool of assets and corresponding liabilities attributable to the C Shares and the Ordinary Shares respectively prior to Conversion, the Company is a single legal entity and all liabilities, irrespective of whatever class of Shares they are attributable to, shall, unless otherwise agreed upon with the relevant creditors, be binding on the Company as a whole. If the assets attributable to the C Shares or the Ordinary Shares (as the case may be) are insufficient to meet the liabilities attributable to the relevant class of Share, any creditors in respect of such liabilities would be creditors of the Company as a whole and accordingly could proceed against any assets of the Company, including assets held in respect of the other class of Share.

In view of the length of time that it is anticipated the C Shares will be in issue prior to Conversion and the type of investments that will comprise C Share Assets, the Directors do not intend to implement measures to mitigate the risk of cross-contamination of liabilities attributable to the C Shares and the Ordinary Shares (such as conducting the investment activity in respect of each class of Share through separate subsidiaries referable to such class of Share).

DISPARITY OF PERFORMANCE BETWEEN THE EXISTING ORDINARY SHARES AND THE C SHARES

Prior to Conversion, the performance of the Existing Ordinary Shares and the C Shares may diverge as the assets and liabilities attributable to the respective classes of Shares will be different. This may mean that the value of the net assets attributable to the C Shares does not grow as rapidly as that attributable to the Existing Ordinary Shares such that, on Conversion, the holders of the C Shares receive a lesser number of Ordinary Shares than would have been the case had the growth rates been the same (and the converse may also be true).

DILUTION FOR EXISTING SHAREHOLDERS

The further issue of Ordinary Shares upon Conversion of the C Shares will dilute the percentage shareholding of any Existing Shareholder that does not subscribe for an equivalent proportion of the C Shares being issued pursuant to the Issue. However, there will be no dilution to the Net Asset Value of Existing Ordinary Shares upon Conversion as the basis upon which the C Shares will convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares will become entitled will reflect the respective net assets attributable to the Existing Ordinary Shares and to the C Shares as further described in Part X of this Prospectus.

PAST PERFORMANCE

The past performance of the Company and other investments managed and monitored by BBIML or its associates is not a reliable indication of the future performance of the investments held by the Group.

FUND MANAGEMENT

The success of the Group will depend on the skill and expertise of the Infrastructure Team in identifying, selecting and developing appropriate investments. There is no guarantee that suitable Further Investments will be available following the acquisition of the C Share Seed Portfolio, or that any investment will be successful. Competition for investment opportunities may result in increased purchase prices.

There is also no certainty that significant members of the Infrastructure Team will continue to be part of the Infrastructure Team or that BBIML will continue as the Investment Adviser and/or Operator throughout the life of the Company.

CONFLICTS OF INTEREST

The Investment Adviser/Operator, the General Partner, the Administrator, the Domiciliation Agent, the Joint Lead Managers, any of their directors, officers, employees, agents and connected persons and the Directors and any person or company with whom they are affiliated or by whom they are employed may be involved in other financial, investment or other professional activities which may cause potential conflicts of interest with members of the Group and their investments. In particular, these parties may provide services similar to those provided to the Group to other entities and will not be liable to account for any profit earned from any such services.

The Investment Adviser and its directors, officers, employees and agents and the Directors will at all times have due regard to their duties owed to members of the Group and where a conflict arises they will endeavour to ensure that it is resolved fairly.

NON-INVOLVEMENT IN MANAGEMENT AND OPERATIONAL DECISIONS

Investors will have no opportunity to control or participate in the day-to-day operations, including investment and disposal decisions, of the Group.

LIQUIDITY

Although the C Shares and the Ordinary Shares into which they convert are to be listed on the Official List and admitted to trading on the London Stock Exchange and will be freely transferable, the ability of Shareholders to sell their C Shares and Ordinary Shares in the market, and the price which they may receive, will depend on market conditions. Both the C Shares and the Ordinary Shares may trade at a discount to their respective Net Asset Values and it may be difficult for a Shareholder to dispose of all or part of his C Shares and/or Ordinary Shares at any particular time.

The Company has the ability to make tender offers for C Shares and Ordinary Shares and to make market purchases of Ordinary Shares from Shareholders. Any such tender offers will be made entirely at the discretion of the Directors and will be subject to prior Shareholder approval. Any market purchases of Ordinary Shares (and C Shares to the extent that the Shareholders approve the Company making market purchases of C Shares) will be made entirely at the discretion of the Directors. As such, Shareholders will not have any ability to require the Company to make any tender offers for, or market purchases of, all or any part of their C Shares or Ordinary Shares.

EXCULPATION AND INDEMNIFICATION

The structure through which the Group makes investments includes an English limited partnership. Certain provisions contained in the Limited Partnership Agreement and the Operating Agreement may limit the liability of the General Partner and the Operator. The Group is also responsible for indemnifying the General Partner and the Operator (and their employees and agents) for any losses or damage incurred by them except for losses incurred as a result of their fraud, gross negligence or wilful default.

CURRENCY RISK

If an investor's currency of reference is not GBP, currency fluctuations between the investor's currency of reference and the base currency of the Company may adversely affect the value of an investment in the Company.

A proportion of the Group's investments will be denominated in currencies other than GBP. The Company will maintain its accounts and intends to pay distributions in GBP. Accordingly, fluctuations in exchange rates between GBP and the relevant local currencies and the costs of conversion and exchange control regulations will directly affect the value of the Group's investments and the ultimate rate of return realised by investors. Whilst the Group may enter into hedging arrangements to mitigate this risk to some extent, there can be no assurance that such arrangements will be entered into or that they will be sufficient to cover such risk.

INTEREST RATE RISKS

Changes in interest rates may adversely affect the Group's investments. Changes in the general level of interest rates can affect the Group's profitability by affecting the spread between, amongst other things, the income on its assets and the expense of its interest-bearing liabilities, the value of its interest-earning assets and its ability to realise gains from the sale of assets should this be desirable. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Group.

The Group may finance its activities with either fixed and/or floating rate debt. With respect to any floating rate debt, the Group's performance may be affected adversely if it fails to or chooses not to limit the effects of changes in interest rates on its operations by employing an effective hedging strategy, including engaging in interest rate swaps, caps, floors or other interest rate contracts, or buying and selling interest rate futures or options on such futures. There can however be no assurance that such arrangements will be entered into or that they will be sufficient to cover such risk.

HEDGING RISK

Should the Group elect to enter into hedging arrangements to protect against inflation risk, currency risk and/or interest rate risk (and it will be under no obligation to do so), the use of instruments to hedge a portfolio carries certain risks, including the risk that losses on a hedge position will reduce the Group's earnings and funds available for distribution to investors and that such losses may exceed the amount invested in such hedging instruments. There is no perfect hedge for any investment, and a hedge may not perform its intended purpose of offsetting losses on an investment and, in certain circumstances, could increase such losses. The Group may also be exposed to the risk that the counterparties with which the Group trades may cease making markets and quoting prices in such instruments, which may render the Group unable to enter into an offsetting transaction with respect to an open position.

Although the Group will select the counterparties with which it enters into hedging arrangements with due skill and care, there will be residual risk that the counterparty may default on its obligations.

LEVERAGE

The Group has the ability to use leverage in the financing of its investments. The use of leverage increases the exposure of investments to adverse economic factors such as rising interest rates, severe economic downturns or deteriorations in the condition of an investment or its market.

It is possible that the Group may not be able to refinance borrowing which becomes repayable during the life of the Group, in which case the performance of the Group may be adversely affected in the longer term. The Group's borrowings may be secured on the assets of the Group. A failure to fulfil obligations under any financing documents may permit lenders to demand early repayment of the loan and to realise their security.

FAILURE TO RESTRUCTURE

If the Group makes an investment with the intention of restructuring, refinancing or selling a portion of the capital structure thereof, there is a risk that the Group will be unable to complete successfully such a restructuring, refinancing or sale. Any such failure could lead to increased risk and cost to the Group and reduced returns.

VALUATIONS

All investments owned by the Group will be valued in accordance with the Group's valuations policy and the resulting valuations will be used, among other things, for determining the Conversion Ratio as well as the basis on which any Ordinary Shares and/or C Shares are bought back by the Company and additional capital raised. The Conversion Ratio will be calculated in accordance with the provisions of the Articles on the respective net assets attributable to the Ordinary Shares and the C Shares which will be based on unaudited valuations.

Valuations of the assets of the Group as a whole will also reflect accruals for expected or contingent liabilities, the amount or incidence of which is inevitably uncertain. It follows that some unfairness may arise between departing, continuing and new investors. A valuation is only an estimate of value and is not a precise measure of realisable value. Ultimate realisation of the market value of an asset depends to a great extent on economic and other conditions beyond the control of the Group, and valuations do not necessarily represent the price at which an investment can be sold.

RECOURSE TO THE COMPANY'S ASSETS

The Company's assets (which comprise both the assets attributable to the Ordinary Shares and those attributable to the C Shares), including any investments made by the Company and any funds held by the Company, are available to satisfy all liabilities and other obligations of the Company. If the Company becomes subject to a liability, parties seeking to have the liability satisfied may have recourse to the Company's assets generally (which includes assets attributable to both the Ordinary Shares and the C Shares) and may not be limited to any particular asset, such as the asset giving rise to the liability. To the extent that the Company chooses to use special purpose entities for individual transactions to reduce recourse risk (and it may, but will be under no obligation to do so), the bona fides of such entities may be subject to later challenge.

FOREIGN INVESTMENTS

Laws and regulations of foreign countries may impose restrictions that would not exist in the UK. Investments in foreign entities may require significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in the UK. In addition, foreign governments from time to time impose restrictions intended to prevent capital flight, which may, for example, involve punitive taxation (including high withholding taxes) on certain securities or transfers or the imposition of exchange controls, making it difficult or impossible to exchange or repatriate foreign currency. These and other restrictions may make it impracticable for the Company to distribute the amounts realised from such investments at all or may force the Company to distribute such amounts other than in GBP and therefore a portion of the distribution may be made in foreign securities or currency.

It also may be difficult to obtain and enforce a judgment in a court outside of the UK.

The Company, through due diligence investigations, will analyse information with respect to political and economic environments and the particular legal and regulatory risks in foreign countries before making investments, but no assurance can be given that a given political or economic climate, or particular legal or regulatory risks, might not adversely affect an investment by the Group.

FORCE MAJEURE

The performance of the Group may be affected by reason of events such as war, civil war, riot or armed conflict, radioactive, chemical or biological contamination, pressure waves, environmental occurrences and acts of terrorism (see below for further information on terrorism) which are outside its control. The occurrence of such events may result in an asset of the Group being unavailable for use.

With respect to the Existing Portfolio, the C Share Seed Portfolio and any Further Investments generally, if the force majeure event continues or is likely to continue to affect the performance of the services by the Project Entity for a long period of time (for example six months or longer) it is likely that both the Project Entity and the Public Sector Client will have the right to terminate the Project Agreement. In such circumstances, compensation (if any), would be unlikely to cover the amounts paid for the acquisition of the Investment Capital by the Group.

RISK OF TERRORISM

There is a risk that one or more of the Group's investments will be directly or indirectly affected by terrorist attack. Such an attack could have a variety of adverse consequences for the Group, including risks and costs related to the destruction of property owned or used by Project Entities in which the Group has invested, inability to use one or more such properties for their intended uses for an extended period, decline in income or property (and therefore investment) value, and injury or loss of life, as well as litigation related thereto. Such risks may not be insurable or may be insurable only at rates that the Group deems uneconomic.

More widely, terror attacks and ongoing military and related action in various parts of the world such as Iraq, Afghanistan, Iran, and elsewhere could have significant adverse effects on the world economy, securities, bond and infrastructure markets and the availability and cost of maintaining insurance.

DISTRIBUTIONS

The amount of distributions and future distribution growth will depend on the Group's underlying portfolio. Any change or incorrect assumption in the tax treatment of dividends or interest or other receipts received by the Company (including as a result of withholding taxes or exchange controls imposed by jurisdictions in which the Group invests) may reduce the level of distributions received by Shareholders. In addition any change in the accounting policies, practices or guidelines relevant to the Group and its investments may reduce or delay the distributions received by investors. The Company's ability to pay dividends will be subject to the provisions of the Laws.

To the extent that there are impairments to the value of the Group's investments that are recognised in the Company's income statement under IFRS, this may affect the ability of the Company to pay dividends.

TAXATION

Investors should consider carefully the information given in Part VIII of this document and should take professional advice about the consequences for them of investing in the Company.

The Group structure through which the Company makes investments, whilst designed to maximise post-tax returns to investors, is based on the current tax law and practice of the UK, Luxembourg, Guernsey, Australia, Belgium, Canada, France, Germany, Ireland and Italy. Such law or practice is subject to change, and any such change may reduce the net return to investors, and the Group may incur cost in taking steps to mitigate this effect.

To the extent that the Group's investments are outside the UK, it is possible that investors will be subject to some amount of foreign income and/or withholding taxes with respect to such investments.

LEASING COMPANIES

The Finance Act 2006 introduced complex new rules for identifying and taxing long funding leases for UK plant and machinery which apply with effect from 1 April 2006. The legislation potentially applies to PFI Project Entities if they account for projects as leases, either under UK GAAP or IFRS, although this is not expected commonly to be the case. In addition, to the extent that contracts were entered into and assets constructed before the new legislation took effect, there should be no impact. The measures are not expected to affect the Existing Portfolio or the C Share Seed Portfolio.

LATE INTEREST

To the extent that a UK resident Project Entity does not pay accrued interest on debt owed to parties not subject to UK corporation tax within 12 months of the end of the accounting period in which the interest accrues, then in certain circumstances a UK tax deduction for such interest will be denied until such time as the interest is paid. This would have a negative effect on the cash flow expected from the Project Entity if it causes tax to be paid earlier than expected.

TRANSFER PRICING

To the extent that interest paid by Project Entities and Holding Entities on debt provided by parties interested in the equity of the Project Entity (for example the subordinated debt element of the Investment Capital) exceeds arm's length rates, the relevant tax authorities may seek to restrict the allowable deduction for such interest payments to arm's length rates. This could result in more tax being paid by a Project Entity or Holding Entity and ultimately may reduce the return to investors.

If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of C Shares or Ordinary Shares, they should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

Important Information

In assessing an investment in the Company, investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Directors, the Investment Adviser, the Joint Lead Managers and the Sponsor or any other person. Neither the delivery of this document nor any subscription or purchase of C Shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to the date of this document.

REGULATORY INFORMATION

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy C Shares in any jurisdiction in which such offer or solicitation is unlawful. Issue or circulation of this document may be prohibited in some countries.

Prospective investors should consider carefully (to the extent relevant to them) the notices to residents of various countries set out at pages 89 to 93 of this document.

INVESTMENT CONSIDERATIONS

The contents of this Prospectus are not to be construed as advice relating to legal, financial, taxation, investment or any other matter. Prospective investors should inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer or other disposal of C Shares and/or Ordinary Shares arising on Conversion;
- any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of C Shares and/or Ordinary Shares arising on Conversion which they might encounter; and
- 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 C Shares and/or 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.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's investment objectives will be achieved.

This document should be read in its entirety before making any investment in the C Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Memorandum of Association and Articles of Association of the Company which investors should review.

FORWARD-LOOKING STATEMENTS

The Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "forecasts", "projects", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Company's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward-looking statements in this document reflect the Company's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Company's operations, results of operations, growth strategy and liquidity.

These forward-looking statements apply only as of the date of this document. Subject to any obligations under the Listing Rules, the Disclosure Rules and the Prospectus Rules the Company undertakes no obligation publicly to update or review any forward looking statement whether as a result of new information, future developments or otherwise. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

NOTICE TO RESIDENTS OF ONTARIO

The C Shares have not been nor will they be qualified by prospectus for sale to the public in Ontario under applicable Canadian securities laws and, accordingly, any offer or sale of the C Shares in Ontario will be made pursuant to an exemption from the applicable prospectus filing requirements, and otherwise in compliance with applicable Canadian laws. Investors in Ontario should refer to the section entitled "Notices to Overseas Investors – For the Attention of Investors in Ontario" and in particular should refer to the subsection entitled "Rights of Action for Damages or Rescission". The Issue Price, financial statements and certain other financial information disclosed in this Prospectus are presented in pounds sterling. On 13 March 2008, GBP1.00 = CAD 1.9990, based on the Bank of Canada noon exchange rate.

PRESENTATION OF INFORMATION

MARKET, ECONOMIC AND INDUSTRY DATA

Market, economic and industry data used throughout this document is derived from various industry and other independent sources. The Company and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

CURRENCY PRESENTATION

Unless otherwise indicated, all references in this document to "GBP", "Sterling", "pounds sterling", "£", "pence" or "p" are to the lawful currency of the UK, all references to "\$", "USD", "US\$" or "US dollars" are to the lawful currency of the US, all references to "€" or "Euro" are to the lawful currency of the Eurozone countries, all references to "AU\$", "A\$" and "Australian Dollars" are to the lawful currency of Australia and all references to "C\$", "Canadian Dollars" or "CAD" are to the lawful currency of Canada.

LATEST PRACTICABLE DATE

Unless otherwise indicated, the latest practicable date for the inclusion of information in this Prospectus is at close of business on 13 March 2008.

Definitions

A list of defined terms used in this document is set out at pages 94 to 101.

Governing Law

Unless otherwise stated, statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

Expected Timetable and Issue Statistics

EXPECTED TIMETABLE

All references to times in this Prospectus are to London times unless otherwise stated.

Issue opens	18 March 2008
Latest time and date for receipt of Application Forms under the Offer for Subscription	12.00 noon on 16 April 2008
Latest time and date for receipt of Placing commitments	5.00 pm on 16 April 2008
Announcement of Offer for Subscription and Placing results and commencement of conditional dealings	17 April 2008
Admission to the Official List and unconditional dealings in the C Shares to commence on the London Stock Exchange	8.00 am on 22 April 2008
CREST accounts credited against payment in respect of the Placing	22 April 2008
CREST accounts credited in respect of the Offer for Subscription	22 April 2008
Share certificates in respect of C Shares issued in certificated form to be despatched	during the week commencing 21 April 2008

The dates and times specified above are subject to change. In particular, the Directors may, with the prior approval of the Sponsor and Joint Lead Managers, bring forward or postpone the closing time and date for the Placing and Offer for Subscription. If such date is changed the Company will notify investors who have subscribed for C Shares of changes to the timetable either by post, by electronic mail or by the publication of a notice through a Regulatory Information Service.

ISSUE STATISTICS

Issue Price per C Share	100 pence
Initial Net Asset Value per C Share	98 pence
Target number of C Shares being issued	140 million
Estimated net proceeds of the Issue	£137,103,500

Directors, Agents and Advisers

Directors (all non-executive)	Keith Dorrian (Chairman) Rupert Dorey Giles Frost Carol Goodwin
Investment Adviser and Operator	Babcock & Brown Investment Management Limited, 15th Floor, 5 Aldermanbury Square, London EC2V 7HR
Administrator to Company, Company Secretary and Registered Office	Heritage International Fund Managers Limited Polygon Hall, PO Box 225 Le Marchant Street St Peter Port, Guernsey GY1 4HY (Telephone + 44 1481 716 000)
Registrar	Capita Registrars (Guernsey) Limited 2nd Floor No 1 Le Truchot St Peter Port Guernsey GY1 4AE
Receiving Agent and UK Transfer Agent	Capita Registrars The Registry 34 Beckenham Road, Beckenham Kent BR3 4TU
Domiciliation Agent to Luxcos	MAS S.à r.l. 1, rue des Glacis BP 294 L-2012 Luxembourg
Sponsor, Global Coordinator, Bookrunner & Joint Lead Manager	UBS Limited 1 Finsbury Avenue, London EC2M 2PP
Joint Lead Manager	Macquarie Capital (Europe) Limited CityPoint, 1 Ropemaker Street London EC2Y 9HD
Auditors	Deloitte & Touche LLP P.O. Box 137 Regency Court, Glatigny Esplanade St Peter Port, Guernsey GY1 3HW
Reporting Accountants	Deloitte & Touche LLP P.O. Box 137 Regency Court, Glatigny Esplanade St Peter Port, Guernsey GY1 3HW
Tax Advisers to the Company and the Investment Adviser	Deloitte & Touche LLP 180 The Strand London WC2R 1BL
Legal Advisers to the Company and the Investment Adviser as to English Law	Lovells LLP Atlantic House, Holborn Viaduct, London EC1A 2FG
Legal Advisers to the Company and the Investment Adviser as to Guernsey Law	Ozannes 1 Le Marchant Street, St Peter Port, Guernsey, Channel Islands GY1 4HP
Legal Advisers to the Joint Lead Managers and Sponsor	Herbert Smith LLP Exchange House, Primrose Street London EC2A 2HS

Part I Information on the Company

INTRODUCTION

The Company is a Guernsey incorporated investment company which currently invests directly or indirectly in public or social infrastructure assets and concessions located in the UK, Australia, Belgium, France, Germany, Ireland and Canada and, it is anticipated in due course, will invest in other parts of the world. The Company is advised by Babcock & Brown Investment Management Limited and provides investors with access to Babcock & Brown's network of infrastructure executives to manage the Company's existing investment portfolio and to source future infrastructure assets to provide income and capital growth.

The Existing Ordinary Shares were admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities on 9 November 2006. The Company had a market capitalisation of £319.5 million (as at 13 March 2008) and NAV of £330.4 million (as at 31 December 2007) which has grown by 11.6 per cent. since the Initial Public Offer. The NAV per Existing Ordinary Share (as at 31 December 2007) was 110.1 pence and the Company's annualised dividend yield calculated on the Initial Public Offer issue price of Existing Ordinary Shares in the Company's first full financial year ended 31 December 2007 was 5.25 per cent.

The Company raised £300 million through the Initial Public Offer. After paying the amount required to acquire its initial portfolio of investments and to pay the expenses of the Initial Public Offer, the Company had approximately £103 million of cash. The Company has substantially invested all of the proceeds of the Initial Public Offer within thirteen months as indicated at the time of the Initial Public Offer. Pursuant to the Acquisition Agreements the Company has agreed to acquire the C Share Seed Portfolio and the Directors believe that the Company has the opportunity to invest in further infrastructure investments meeting the Company's investment policies.

BACKGROUND TO AND REASONS FOR THE ISSUE

The Company is targeting a raising of £140 million (before expenses) through the Placing and Offer for Subscription of C Shares. The Net Issue Proceeds will be used to acquire the C Share Seed Portfolio or to discharge any debt incurred to acquire the C Share Seed Portfolio at the Price and, the Directors anticipate, to acquire Further Investments after Admission, and to discharge any debt that may be incurred to acquire Further Investments after Admission.

The Group has entered into conditional Acquisition Agreements to acquire the C Share Seed Portfolio from Babcock & Brown (as described in Part IV of this Prospectus). The Directors believe that the C Share Seed Portfolio, if acquired, will be in the best interests of Shareholders as the assets comprising the C Share Seed Portfolio meet, or exceed, the Group's target return criteria and will further expand and diversify the Group's asset base. In addition to the C Share Seed Portfolio, the Directors believe that attractive and suitable investment opportunities currently exist and are expected to arise and have concluded that it is now an appropriate time to seek to raise additional capital for the Company.

The Directors believe that the strong performance of the Company to date has resulted in demand from existing investors for further investment in the Company and from new investors for investment in the Company. The Company has received indications of interest from both existing and prospective investors and the Directors believe that there is existing investor and new investor demand for investment in the Company that cannot be satisfied in the secondary market.

The Issue will comprise C Shares, which will convert into Ordinary Shares in due course (and in any event shortly after the Calculation Time which shall be no later than six months following Admission). The issue of further equity in the form of C Shares is designed to mitigate the potential disadvantages for both new Shareholders and Existing Shareholders which may arise out of a conventional fixed price issue of further Ordinary Shares for cash.

The Directors believe that, at the current stage of the Company's development, the most equitable means of protecting the interests of both Existing Shareholders and new investors is through establishing a segregated pool of assets attributable to the C Shareholders, initially comprising the Net Issue Proceeds and, following the Acquisition, the C Share Seed Portfolio. This structure will ensure that Existing Shareholders do not bear any of the Issue Costs or any transaction costs of investing the Net Issue Proceeds to the extent that the Net Issue Proceeds are invested prior to Conversion. Managing the assets attributable to the C Shares as a segregated pool of assets ensures that the income generated by, and operational expenses attributable to, each pool is only attributable to Shareholders with rights over their respective asset pool prior to Conversion. Conversion will be effected at a ratio which reflects the respective net assets attributed to the C Shares and the Existing Ordinary Shares at the Calculation Time.

The Directors believe that the proposed Issue has the following principal benefits:

- the Net Issue Proceeds will provide the Group with capital with which to acquire the C Share Seed Portfolio and to pursue other investment opportunities which the Directors believe are likely to increase as methods of procurement of public infrastructure such as public private partnerships continue to be adopted and developed in various countries;
- Existing Shareholders will be able to subscribe for further Shares in the Company and those investors who would not otherwise have been able to invest in the Company will have the opportunity to make an investment;
- the market capitalisation of the Company will increase following the Issue and it is expected that the secondary market liquidity of the Ordinary Shares will be enhanced following Conversion through a wider Shareholder base;
- the assets and corresponding liabilities from time to time representing or derived from investment of the Net Issue Proceeds will be accounted for as a distinct pool of assets until Conversion, which will occur shortly after the earlier of such time that 80 per cent. of the C Share Assets have been invested or six months following Admission (absent Force Majeure Circumstances that requires earlier Conversion under the Articles);

- the Net Asset Value of the Existing Ordinary Shares will not be diluted by the Issue Costs which will be borne by the subscribers for C Shares and not Existing Shareholders;
- the Issue will provide a larger asset base for the Company over which its fixed operating costs may be spread, thereby providing a reduction to the Company's total expense ratio; and
- the basis upon which the C Shares will convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares will become entitled will reflect the relative investment performance and value of the pool of new capital attributable to the C Shares raised pursuant to the Issue up to the Calculation Time as compared to the assets attributable to the Existing Ordinary Shares in issue at that time. As a result, the Net Asset Value attributable to the Ordinary Shares then in issue will not be adversely affected by Conversion.

INVESTMENT OBJECTIVES

The Company will seek to provide Shareholders with a predictable and attractive yield on the Company's investments. The Company's intention is to provide, over the long-term, distributions at levels that are both sustainable and which preserve the capital value of the assets. The Company will target a minimum dividend on the Initial Public Offer issue price of its Ordinary Shares of 5.4 pence per Ordinary Share per annum.³ The Company will aim to maintain and enhance this distribution. The Company's ability to make distributions and/or to pay dividends will be subject always to the requirements of the Laws.

The Directors also believe that long-term capital growth can be achieved. The Company will target an IRR of 8 to 9 per cent.³ on the Initial Public Offer issue price of 100 pence per Ordinary Share to be achieved over the long-term. The Investment Adviser hopes to achieve this through (amongst other techniques) asset development, future acquisitions, active management and prudent use of gearing.

INVESTMENT POLICY

The Company's investment policy is to invest directly or indirectly in public or social infrastructure assets located in the UK, Australia, Europe, North America and, it is anticipated, in due course, in other parts of the world.

The Group intends to continue acquiring operational and construction phase assets from Babcock & Brown and/or third party vendors. The Group intends (but is not bound) to hold its investments for the long-term and may even hold its investments for the life of a project. The Group will seek to enhance the capital value of its investments and the income derived from its investments.

The Group intends to acquire further investments within any of the following parameters:

- investments with characteristics similar to the Existing Portfolio;
- investment in other assets or concessions having a public infrastructure character and in respect of which availability based payments are or will become payable or in respect of which a property rental is or will become payable or in respect of which user paid charges (or payments related to amount of use) are or will become payable; or
- investments in infrastructure assets or concessions which, based on the advice of the Investment Adviser, the Directors believe have high barriers to entry and expect to generate an attractive total rate of return over the whole of the life of the investments.

Such investments may be for Investment Capital in single assets or portfolios of assets and may arise globally. The Group may therefore make investments in any location or jurisdiction where the investment in question meets the parameters set out above, although the Group does not currently expect to invest to any material extent in infrastructure projects located in non-OECD countries in the foreseeable future.

It is expected that further investments will be sourced by the Investment Adviser and Operator and it is likely that some of these will be investments that have been originated and developed by, and will be acquired from Babcock & Brown. The Group has established the following procedures and arrangements to deal with the possible conflicts of interest that may arise in respect of any proposed acquisition of an investment from Babcock & Brown and to manage the conduct of such acquisitions accordingly. The potential conflicts of interest that may arise include that Babcock & Brown will be an existing investor in the asset while its subsidiary, BBIML, acts on the "buyside" as Investment Adviser and Operator. Babcock & Brown has established procedures with the intention of ensuring that the terms on which the vendors of such assets dispose of their assets are fair and reasonable to the vendors; and on the "buyside" BBIML as Investment Adviser and Operator must be satisfied as to the appropriateness of the terms for and the price of, the acquisition. The terms of these procedures have been reviewed by Lovells LLP, as English legal advisers to the Company.

Key features of these procedures include:

- the creation of separate committees within Babcock & Brown. These committees represent the interests of the vendors on the one hand (the **"Sellside Committee"**) and the Company on the other (the **"Buyside Committee"**), to ensure arm's length decision making and approval processes. The membership of each committee is restricted in such a way as to ensure its independence and to minimise conflicts of interest arising;

³ These are targets only and not profit forecasts. There can be no assurance that these targets will be met or that the Company will make any distributions whatsoever.

- a requirement for the Buyside Committee to conduct an independent due diligence process on the assets proposed to be acquired prior to making an offer for their purchase;
- a requirement for any offer made for the assets to be supported by advice on the fair market value for the transaction from an independent expert;
- the establishment of “information barriers” between the Buyside and Sellside Committees with appropriate information barrier procedures to ensure information that is confidential to one or the other side is kept confidential to that side;
- the provision of a “release letter” to each employee of Babcock & Brown who is a member of the Buyside and Sellside Committees. The release letter confirms that the employee shall be treated as not being bound by his/her duties as an employee to the extent that such duties conflict with any actions or decisions which are in the employee’s reasonable opinion necessary for him/her to carry out as a member of the Buyside Committee or Sellside Committee; and
- individuals with material direct or indirect economic interests in the relevant assets will not participate in Buyside Committee and Sellside Committee discussions regarding the relevant assets.

In addition to the Babcock & Brown procedures detailed above, the acquisition of assets from Babcock & Brown will be considered and approved by the Independent Directors of the Company. In considering any such acquisition, the Independent Directors will, as they deem necessary, review and ask questions of the Buyside Committee of the Investment Adviser and the Group’s other advisers and the acquisition will be approved by the Directors on the basis of this advice. The purpose of these procedures is to ensure that the terms upon which any investment is acquired from a member of Babcock & Brown is on an arm’s length basis.

Any entities that provide services to the Group and/or affiliates of such entities and the Directors and any person or company with whom the Directors are affiliated or by whom they are employed may contract or enter into any financial or other transaction with any member of the Group or with any Shareholder or any entity whose securities are held by or for the account of the Group, or be interested in any such contract or transaction.

While there are no restrictions on the amount of the Company’s assets which may be invested in any one area or sector, the Group will, over the long-term, seek a spread of investments both geographically and across industry sectors in order to achieve a broad balance of risk in the Company’s portfolio. Shareholders should note that the actual asset allocation will depend on the development of the infrastructure market, market conditions and the judgment of the Investment Adviser and the Board as to what is in the best interests of Shareholders at the time of the relevant investment.

The Group will not (other than in respect of Holding Entities) lend to, or invest in the securities of, any one company or group, more than 20 per cent. of the Group’s total assets (as calculated at the time the investment or loan is made). The Directors have adopted this investment restriction with the intention of maintaining a spread of investment risk. This investment restriction applies at the time of investment. The Group will not be required to rebalance its Investment Portfolio in accordance with such investment restriction as a result of a change in the Net Asset Value of any investment or of the Net Asset Value of the Group as a whole.

Until the Group is fully invested and pending re-investment or distribution of cash receipts, cash received by the Group will be invested in cash, cash equivalents, near cash instruments, money market instruments and money market funds and cash funds. The Group may also hold derivative or other financial instruments designed for efficient portfolio management or to hedge interest, inflation or currency rate risks.

The Company and any other member of the Group may also lend cash which it holds as part of its cash management policy. Such loans may include loans to Babcock & Brown provided that such loans are at market rates of interest. In such case, these loans will not be treated as related party transactions and no further consent shall be required for such loans to be made. It is anticipated by the Directors that such loans may be made in circumstances where Babcock & Brown is investing in the origination or development of further assets within a class of investments that may be attractive to the Group to acquire in due course and where the making of such loans will enhance the ability of the Group to negotiate the acquisition of further investments.

Where investments are made in currencies other than GBP, it is expected that the Group will consider whether to hedge currency risk in accordance with the Group’s currency and hedging policy as determined from time to time by the Directors.

A portion of the Group’s underlying investments may be denominated in currencies other than GBP. For example, a portion of the Existing Portfolio and the C Share Seed Portfolio is denominated in Australian Dollars and Euro. However, any dividends or distributions in respect of the Ordinary Shares will be made in GBP and the market prices and Net Asset Value of the C Shares and the Ordinary Shares will be reported in GBP.

Currency hedging may be carried out to seek to provide some protection to the level of GBP dividends and other distributions that the Group aims to pay on the Ordinary Shares, and in order to reduce the risk of currency fluctuations and the volatility of returns that may result from such currency exposure. Such currency hedging may include the use of foreign currency borrowings to finance foreign currency assets and forward foreign exchange contracts.

Interest rate hedging may be carried out to seek to provide protection against increasing costs of servicing debt drawn down by the Group to finance investments. This may involve the use of interest rate derivatives and similar derivative instruments. Hedging against inflation may also be carried out and this may involve the use of RPI swaps and similar derivative instruments.

It is intended that the currency, interest rate and any inflationary hedging policies be reviewed by the Directors on a regular basis to ensure that the risks associated with movements in foreign exchange rates, interest rates and inflation are being appropriately managed. Such transactions (if carried out) will only be undertaken for the purpose of efficient portfolio management to enhance returns from the portfolio and will not be carried out for speculative purposes. The execution of currency, interest rate and inflationary hedging transactions is at the discretion of BBIML in its capacity as Operator, subject to the policies set by and the overall supervision of the Directors.

The Group intends to make prudent use of leverage to enhance returns to investors, to finance the acquisition of investments and to satisfy working capital requirements. Borrowings may be made by the Company itself or by any of the Holding Entities. Under the Articles, the Group's outstanding borrowings, including any financial guarantees to support subscription obligations in relation to investments, are limited up to 50 per cent. of the Gross Asset Value of the Group's investments and cash balances, with the Company having the ability to borrow in aggregate up to 66 per cent. of such Gross Asset Value on a short term (i.e. less than 365 day) basis if considered appropriate. Circumstances where this might be the case include for the purposes of new acquisitions. For the purposes of the borrowing limitation, outstanding borrowings exclude intra-group borrowings and the debts of underlying Project Entities. The Group may borrow in currencies other than GBP as part of any currency hedging strategy.

Material changes to the investment policy set out in this section may only be made by ordinary resolution of the Shareholders in accordance with the Listing Rules.

INVESTMENT STRATEGY

The Directors believe that the opportunity offered to the Company by its relationship with Babcock & Brown will lead to the Group being well placed to acquire Further Investments meeting the Company's investment objectives and policy. The Directors believe that there are two ways in which this is likely to occur:

- acquisition of Further Investments developed by Babcock & Brown (the Directors are aware of a number of further transactions within the PPP sector for which Babcock & Brown is preferred bidder or which are under development by Babcock & Brown); and
- acquisition of Further Investments that are sourced through opportunities identified by Babcock & Brown's worldwide Infrastructure Team.

The Directors believe that there are also opportunities to acquire Further Investments that become available to the Group from sources other than Babcock & Brown and that the number and size of opportunities to acquire Further Investments from any source is likely to increase as methods of procurement of public infrastructure such as PPPs continue to be adopted and developed in various countries.

The Group will seek to acquire further public infrastructure assets where the Directors believe that this will create Shareholder value and expect that the global project origination skills of BBIML and Babcock & Brown will assist the Group in identifying new investment opportunities. Such acquisitions may be of single assets, of portfolios or of shares in companies or partnership interests. The Directors and Investment Adviser anticipate that sufficient attractive investment opportunities will be available to the Company to utilise over time the Net Issue Proceeds remaining after the Acquisition.

The acquisition of Further Investments will be financed from cash reserves including those arising from the Net Issue Proceeds, and/or by raising debt and/or through seeking additional capital from the Shareholders and equity capital markets or a combination of these. Acquisitions will be led by a desire to increase value for Shareholders.

Further Investments may be either direct or indirect (i.e. through the Group investing in a company or other entity which itself has a direct or indirect interest in the underlying investment opportunity).

It is currently expected that any Further Investments will, as with the Existing Portfolio and the C Share Seed Portfolio, be held through the Group structure (as described in this Part I below under the heading "Group Structure") but the Directors and the Investment Adviser will keep the structure under review and amend it as may be appropriate for the most efficient holding of investments.

DETAILS OF THE C SHARES

The Company is targeting a raising of £140 million (before expenses) through the Placing and Offer for Subscription of C Shares.

The C Shares will be issued at 100 pence per Share and will rank *pari passu* in all respects with each other and each C Share will have the same voting rights as an Existing Ordinary Share. The Net Issue Proceeds, investments acquired with the Net Issue Proceeds and investments acquired through the use of third party debt incurred by the Group which is discharged using the Net Issue Proceeds will be managed as a separate pool of assets until Conversion of the C Shares into Ordinary Shares. It is intended that the Net Issue Proceeds will be used to acquire the C Share Seed Portfolio, either directly or through the discharge of debt incurred by the Group in making such acquisitions, and the balance of the Net Issue Proceeds will be invested in accordance with the Company's investment objectives and policies to acquire Further Investments or to discharge debt incurred in connection with the acquisition of Further Investments acquired after Admission.

Conversion will occur shortly following the Calculation Time, being the earlier of: the date determined by the Directors on which 80 per cent. of the C Share Assets have been invested in accordance with the Company's investment policy; the Business Day falling six months after Admission; or the last Business Day prior to the occurrence of Force Majeure Circumstances (or when they are contemplated by the Directors).

It is the intention of the Directors that the C Share Seed Portfolio will be acquired with the Net Issue Proceeds shortly after Admission. However, the Group may acquire the C Share Seed Portfolio through the use of third party debt. To the extent that this occurs, and the Issue completes, such debt will be repaid using the Net Issue Proceeds. To the extent that further investment opportunities, other than the C Share Seed Portfolio, become available to the Group prior to completion of the Issue, it is anticipated that such investments may also be acquired through the use of debt. Where the Net Issue Proceeds are used directly

by the Group to acquire investments or to discharge debt incurred by the Group to acquire investments after Admission, such investments shall be attributable to the C Shares and shall form part of the C Share Assets. If the Issue does not complete, any investments acquired by the Group will be attributable to the Ordinary Shares.

At Conversion, the Existing Ordinary Share portfolio and the C Share portfolio will be valued before being merged into a single pool of assets with the C Shares converted into Ordinary Shares on the basis of the Conversion Ratio. The Conversion Ratio is calculated by reference to the net assets attributable to C Shares compared to the net assets attributable to Existing Ordinary Shares as at the Calculation Time as more particularly described in Part VII of this Prospectus.

The Ordinary Shares arising on Conversion of the C Shares will rank *pari passu* with the Ordinary Shares then in issue and will have the rights set out in the Company's Articles of Association which are summarised in Part X of this document.

An application has been made for the C Shares, and an application will be made in due course for the Ordinary Shares arising out of Conversion, to be admitted to the Official List and to be traded on the London Stock Exchange's main market for listed securities. Conversion of the C Shares will occur within twenty Business Days after the Calculation Time which will occur no later than six months from Admission.

WORK IN PROGRESS

The Company in its ordinary course of business continues to review new investment opportunities and may enter into transactions in the period of time from the date of this Prospectus to the time of Admission. Examples of such transactions include the arrangement of corporate debt facilities and the acquisition of Further Investments. Whilst it is not anticipated at this stage that there will be any such transactions that will give rise to an obligation to issue a supplementary prospectus under section 87G of FSMA or the Prospectus Rules, the Company will keep this under review.

INVESTMENT ADVISER AND OPERATOR

Under the Investment Advisory Agreement, BBIML, an investment manager authorised and regulated in the UK by the FSA, has been appointed by the Company as Investment Adviser. BBIML has also been appointed as Operator of the Partnership through which the Company currently conducts its investment activities, and in its capacity as Operator of the Partnership acts as discretionary investment manager of the Group's investments.

Summaries of the terms of the Investment Advisory Agreement and the Operating Agreement are provided in paragraphs 10.2 and 10.4 (respectively) of Part X of this document. Details of the Limited Partnership Agreement constituting the Partnership are contained in paragraph 10.3 of Part X of this document. Further details on BBIML can be found in Part V of this document.

RELATIONSHIP WITH BABCOCK & BROWN

BBIML is a subsidiary of Babcock & Brown Limited. Babcock & Brown is a global investment and advisory firm with longstanding and established capabilities in structured finance and the creation, syndication and management of asset and cash flow-based investments. Babcock & Brown was founded in San Francisco in 1977 and Babcock & Brown Limited listed on the Australian Stock Exchange on 6 October 2004.

Babcock & Brown has originated, developed or provided financial advisory services in respect of each of the projects in the Existing Portfolio and the C Share Seed Portfolio. With BBIML as the Investment Adviser for the Company and Operator of the Partnership, where practicable the Group will retain access to the management teams and personnel who have been responsible for the development of the projects in the Existing Portfolio and the C Share Seed Portfolio to date.

In addition, the Group enjoys a contractual right of first review of any PPP/PFI projects meeting its investment criteria which companies within the Babcock & Brown group are willing to transfer, although this does not confer upon the Group a right to acquire any such projects.

The Arranger has committed to the Company that either it or another member of Babcock & Brown will subscribe for up to 8.33 per cent. of the C Shares comprised in the Issue to the extent that the gross proceeds of the Issue arising from the subscriptions of all other investors is less than £140 million. Any subscription for C Shares made by the Arranger or another member of Babcock & Brown will be effected pursuant to the Offer for Subscription, and will be subject to the subscriptions of other investors being satisfied in priority as further detailed in Part VI of this Prospectus.

Babcock & Brown has extensive experience of the creation of specialised funds in both the public and private markets. This provides investors in these funds access to asset classes and other opportunities to which it would otherwise be difficult to gain direct investment exposure.

Babcock & Brown is responsible for carrying out investment management and advisory functions for the Group through its wholly owned subsidiary BBIML. Babcock & Brown had a worldwide team of 465 specialists (as at 31 December 2007) working in the infrastructure sector with extensive experience of originating and managing PFI/PPP and other infrastructure projects (the Infrastructure Team).

The Company has benefited and the Directors expect the Company to continue to benefit from the relationship with Babcock & Brown for the following reasons:

- Babcock & Brown does not seek to be a long-term owner of infrastructure investments that it originates or develops. The Directors believe that the Group's relationship with Babcock & Brown puts the Group in a strong position as a potential acquirer of such infrastructure investments where they fit the Group's investment policies.
- The Directors believe that Babcock & Brown is incentivised to source additional investment opportunities for the Group by the fee arrangements agreed between the Company and Babcock & Brown in respect of future acquisitions of infrastructure investments.
- Babcock & Brown's commercial interests are substantially aligned with those of the Group through the Incentive Fee arrangements and for so long as Babcock & Brown remains a Shareholder through Babcock & Brown's shareholding in the Company.
- The Directors anticipate that the relationship with Babcock & Brown will afford the Group access to the pipeline of public infrastructure projects currently in development by Babcock & Brown.
- Babcock & Brown has substantial existing management experience in relation to the C Share Seed Portfolio, full continuity of which will be available to the Group, if the C Share Seed Portfolio is acquired.
- The Directors believe that the Group will benefit from the infrastructure project origination skills of Babcock & Brown.

GROUP STRUCTURE

The Company has invested in the Existing Portfolio, has entered into the Acquisition Agreements to acquire the C Share Seed Portfolio and currently intends to invest in any Further Investments indirectly via a series of holding entities, as follows.

The Company holds equity and debt in a Luxembourg company, Babcock & Brown Public Partnerships 1 S.à r.l. ("**Luxco 1**") which in turn holds equity and debt in a similar entity, Babcock & Brown Public Partnerships 2 S.à r.l. ("**Luxco 2**"). Both Luxco 1 and Luxco 2 are wholly-owned subsidiaries of the Company (direct and indirect respectively, with Luxco 2 being wholly-owned by Luxco 1). The Company controls the investment policies of Luxco 1 and Luxco 2 and its Directors comprise a majority of the directors of Luxco 1 and Luxco 2.

Luxco 2 is the sole limited partner in the Partnership, an English limited partnership of which Babcock & Brown Public Partnerships GP Limited (a special purpose vehicle) is the general partner (the "**General Partner**"). The General Partner's ultimate holding company is Babcock & Brown Limited. The General Partner, on behalf of the Partnership, appointed BBIML, whose ultimate holding company is also Babcock & Brown Limited, as Operator of the Partnership. Luxco 2 invests the contributions it receives from Luxco 1 in capital contributions and partner loans to the Partnership and its wholly owned companies, which acquire and hold Investment Capital in Project Entities directly or through intermediate wholly owned companies or other entities.

The Group's investments are registered in the name of the General Partner, its wholly owned companies or entities or their nominees.

DISTRIBUTION POLICY

Distributions on the Ordinary Shares are expected to be paid twice a year, normally in respect of the six months to 30 June and 31 December, and are, subject to the provisions of the Laws, expected to be made by way of dividend.

As Conversion of the C Shares to Ordinary Shares will occur shortly following the Calculation Time which itself shall be no later than six months after Admission, the Directors do not intend to declare a dividend in respect of the C Shares. C Shareholders who do not dispose of the Ordinary Shares issued to them on Conversion will be entitled to any dividends declared and paid in respect of such Ordinary Shares after Conversion. The first such dividend in respect of the Ordinary Shares after Conversion is expected to be declared in respect of the period ending 31 December 2008.

Ordinary Shares created upon Conversion will rank equal with all other Ordinary Shares for the purposes of any distribution. The Company may also make distributions by way of capital distributions (or otherwise in accordance with the Laws and the Articles) as well as, or in lieu of, by way of dividend if and to the extent that the Directors consider this to be appropriate.

The Directors intend that, save as provided below, the Company will generally restrict distributions (by way of dividend or otherwise) to a level not greater than Distributable Cash Flows, and dividends to the level of income from the Group's investments, as recognised in the relevant financial period. However the Directors reserve the right to amend this distribution policy from time to time including but not limited to smoothing dividends where appropriate and permitted by the Laws through the use of borrowings.

From time to time the Group may have some investments and commitments in projects which have not yet finished construction and/or have not yet reached the stage at which they have started generating their full level of cash flows. During these times, subject to the Laws, the Company may distribute as dividend an amount up to the level of the Group's gross income in excess of Distributable Cash Flows.

The Company retains the discretion to reinvest the capital proceeds of any investments which the Group transfers, sells or refinances during the life of the Company.

DISCOUNT MANAGEMENT

On 9 October 2006, a special resolution was passed authorising the Company (subject to the Listing Rules and all other applicable legislation and regulations) to make market purchases of up to 14.99 per cent. (subject to annual renewal) of its issued Ordinary Shares. Such authorisation can assist in addressing any imbalance between the supply of and demand for the Ordinary Shares, can assist in minimising any discount to Net Asset Value at which the Ordinary Shares may be trading and can also increase the Net Asset Value per Ordinary Share.

The authorisation of 9 October 2006 will expire on 9 April 2008. The Directors anticipate seeking a renewal of this authority from Shareholders at each annual general meeting of the Company and intend to recommend to Shareholders at the next annual general meeting that the provision be extended to the C Shares. Purchases of Shares will be made within guidelines established from time to time by the Directors. The timing of any purchases will be decided by the Directors in light of prevailing market conditions. Any such purchases will only be made in accordance with the Laws, the Companies (Purchase of Own Shares) Ordinance, 1998 and the Listing Rules in force from time to time or any successor laws, rules or regulations. The Listing Rules currently provide that where the Company purchases its Shares the price to be paid must not be more than 105 per cent. of the average of the market values of that class of Shares for the five Business Days before the purchase is made or if higher, the higher of the latest independent trade and the highest current independent bid.

Additionally in order to minimise further the risk of the Shares trading at a discount to Net Asset Value and to assist in the narrowing of any discount at which the Shares may trade from time to time, the Company may make tender offers from time to time (subject to the prior approval of Shareholders of the terms of any such tender offers).

Investors should not expect that they will necessarily be able to realise, within a period which they would otherwise regard as reasonable, their investment in the Company, nor can they be certain that they will be able to realise their investment on a basis that necessarily reflects the value of the underlying investments held by the Company.

TREASURY SHARES

The Company is able to hold Ordinary Shares and C Shares acquired by way of market purchase or by way of tender offer in treasury i.e. the Ordinary Shares and C Shares remain in issue owned by the Company rather than being cancelled. Such Ordinary Shares and C Shares may be subsequently cancelled or sold for cash.

Up to ten per cent. of each of the Ordinary Shares and C Shares in issue at any time may be bought by the Company in the market (as described above) or by way of tender offer and held in treasury. This would give the Company the ability to sell Ordinary Shares or C Shares held in treasury quickly and cost efficiently, and would provide the Company with additional flexibility in the management of its capital base.

LIFE OF THE COMPANY

The Company has been established with an unlimited life. In addition to the possibility of the share purchase and tender facilities mentioned above, Shareholders may seek to realise their holdings through disposals in the market.

CONFLICT OF INTEREST AND AVOIDANCE

Arrangements have been established to deal with potential conflicts of interest in relation to future acquisitions of investments from Babcock & Brown (including the C Share Seed Portfolio) and these are described under the heading "Investment Policy" above in this Part I.

The Investment Adviser and/or Operator, the General Partner, the Administrator, the Domiciliation Agent, the Joint Lead Managers, any of their directors, officers, employees, agents and connected persons and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an **"Interested Party"**) may be involved in other financial, investment or other professional activities which may cause potential conflicts of interest with members of the Group and their investments. In particular, Interested Parties may provide services similar to those provided to the Group to other entities and will not be liable to account for any profit earned from any such services. The Investment Adviser and its directors, officers, employees and agents and the Directors will at all times have due regard to their duties owed to members of the Group and where a conflict arises they will endeavour to ensure that it is resolved fairly.

Subject to the arrangements explained above, the Group may (directly or indirectly) acquire securities from or dispose of securities to any Interested Party or any investment fund or account advised or managed by any such person. An Interested Party may provide professional services to members of the Group (provided that no Interested Party will act as Auditor to the Company) or hold Shares and buy hold and deal in any investments for its own account notwithstanding that similar investments may be held by the Group (directly or indirectly). An Interested Party may contract or enter into any financial or other transaction with any member of the Group or with any Shareholder or any entity any of whose securities are held by or for the account of the Group, or be interested in any such contract or transaction. Furthermore, any Interested Party may receive commissions to which it is contractually entitled in relation to any sale or purchase of any investments of the Group effected by it for the account of the Group, provided that in each case the terms have either been agreed with the Company or are no less beneficial to the Group than a transaction involving a disinterested party and any commission is in line with market practice.

FINANCIAL INFORMATION AND REPORTS TO SHAREHOLDERS

The Group's annual reports are prepared up to 31 December each year and it is expected that copies will be sent to Shareholders in the following March. Shareholders will also receive an unaudited interim report covering the six-month period to 30 June each year. The most recent annual audited accounts of the Group in respect of the year ended 31 December 2007 together with the annual audited accounts of the Group in respect of the year ended 31 December 2006 have been published and are incorporated by reference into Part IX of this Prospectus (as summarised in the checklist in Part XI of this Prospectus).

The first annual general meeting of the Company was held in Guernsey on 12 June 2007.

The audited accounts of the Group are drawn up in GBP and prepared under IFRS. Under IFRS the Group prepares an income statement which, unlike a statement of total return, does not differentiate between revenue and capital. The Group's management and administration fees, finance costs and all other expenses are charged through the income statement. The Group's accounts are likely to consolidate the Partnership and therefore, under IFRS rules, changes to the underlying fixed, intangible or financial assets will be reflected in the Group's income statement. Also, some fair value movements may go directly to equity rather than income, if the Directors make the relevant elections. The accounts include a pro forma statement illustrating the Group's income account and balance sheet on an investment basis as well as a consolidated basis in order to provide Shareholders with a more meaningful representation of the Group's capacity for investment.

VALUATIONS

The Administrator will, with the assistance of BBIML, produce fair market valuations of the Group's investments on a six monthly basis as at 30 June and 31 December. The Group will adopt a valuation methodology for the valuation of its infrastructure investments based on the recommendations of the Investment Adviser. The valuation principles used in such methodology will be based on discounted cash flow methodology, and adjusted for EVCA (European Private Equity and Venture Capital Association) guidelines and otherwise where appropriate, given the special nature of infrastructure investments.

The value of any cash in hand or on deposit and accounts receivable, short-term negotiable instruments and cash dividends or receivables accrued and not yet received shall be deemed to be the full amount thereof, unless it is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Directors may consider appropriate to reflect the true value thereof. Gilts and other short-term money market instruments will be valued at their bid market price.

The Administrator will, with the assistance of BBIML, calculate the Net Asset Value of C Shares and Ordinary Shares as at 30 June and 31 December in each year and this will be reported to Shareholders in the Company's annual report and interim financial statements. All valuations made by the Administrator will be made, in part, on valuation information provided by the Project Entities in which the Group has invested. Although the Investment Adviser and the Administrator will evaluate all such information and data, they may not be in a position to confirm the completeness, genuineness or accuracy of such information or data. In addition, the financial reports typically provided by the Project Entities are provided only on a quarterly or half yearly basis and generally are issued one to four months after their respective valuation dates. Consequently, each half yearly Net Asset Value will contain information that may be out of date and require updating and completing. Shareholders should bear in mind that the actual Net Asset Values may be materially different from these half-yearly estimates. The Directors do not envisage any circumstances other than those arising out of any change in or waiver of the Listing Rules in which valuations will be suspended.

Valuations of the Existing Ordinary Share asset portfolio and the C Share asset portfolio for the purposes of Conversion (as detailed in Part VII of this document) will be carried out in accordance with the Articles and will be certified by independent accountants.

FEES AND EXPENSES

GENERAL

The fee arrangements in respect of the fees payable by the Company to its service providers will remain unchanged as a result of the Issue.

ACQUISITION COSTS AND ISSUE EXPENSES

Acquisition Costs

The Acquisition costs are those costs (predominantly legal and financial advisory costs, stamp duty and including the Arranger's advisory fees in respect of the Acquisition) incurred by the Group in connection with the Acquisition. The Acquisition costs (excluding VAT where relevant) are estimated to be approximately £1,215,900 in aggregate including £608,400 in respect of the Arranger's advisory fees being 1.5 per cent. of the Price.

Issue Expenses

The Issue expenses are those that are necessary for the Issue and include fees covering legal, registration, printing and distribution costs, the additional fee of £5,000 payable to each Director in connection with the Issue and any other applicable expenses. The Issue expenses will be met by the Company from the proceeds of the Issue and will be paid on or around Admission. The Issue expenses will be borne wholly by the C Shareholders and will be charged to the Company's share premium account attributable to the Issue and deducted from the assets attributable to the C Shares prior to Conversion. The Issue expenses (excluding VAT where relevant, but excluding the Placing Fees, the Financial Advisory Fee and the Acquisition Advisory Fee) are estimated to be approximately £446,500.

Under the Issue Agreement, the Joint Lead Managers are in aggregate entitled to Placing Fees equal to 1.75 per cent. of the gross Issue proceeds (excluding that part of the gross Issue proceeds attributable to the C Shares taken up by Babcock & Brown) and may receive a further incentive fee of 0.125 per cent. of the gross Issue proceeds which is payable at the discretion of the Company (after consultation with the Investment Advisor). The Placing Fees are in addition to, and are not included in, the estimated Issue expenses referred to above. The Issue Costs (being the expenses of the Issue together with the Placing Fees) will be attributed to and borne by the C Shareholders.

Under the Financial Advisory Mandate, the Arranger is entitled to a Financial Advisory Fee of 1.5 per cent. of the gross Issue proceeds, and an Acquisition Advisory Fee of 1.5 per cent. of the Price. However, in the event both the Issue and the Acquisition complete, the Arranger will waive a portion of the Financial Advisory Fee equal to the Acquisition Advisory Fee. The Financial Advisory Fee (as so reduced) and the Acquisition Advisory Fee will be payable by the Company and borne by all C Shareholders and Existing Shareholders on a pro rata basis on Conversion.

ONGOING COSTS

Base Fee

In aggregate, BBIML and the General Partner are entitled to a Base Fee in each year at the annual rate of 1.2 per cent. per annum of the Gross Asset Value of the Investment Portfolio. No Base Fee will be charged on such part of the Net Issue Proceeds that are not invested or committed to be invested, until such time as the relevant part of the Net Issue Proceeds are invested or committed to be invested. The benefit of the Base Fee not being charged on such part of the Net Issue Proceeds that are not invested or committed to be invested will accrue to the C Shareholders and not to the Existing Ordinary Shareholders and will be reflected in the value of the assets attributable to the C Shares. The Base Fee accrues and is payable half yearly in arrears on 30 June and 31 December of each year.

The Base Fee is subject to certain adjustments on a time basis in respect of acquisitions and disposals of the Group during the course of a calendar quarter. BBIML is entitled to retain any commissions, fees or any other form of remuneration in relation to any transaction without deduction or set off from either the Base Fee or the Incentive Fee.

Incentive Fee

In respect of the Ordinary Shares, BBIML and the General Partner are also entitled to an Incentive Fee in respect of each Incentive Period equal to 20 per cent. in aggregate of the excess (if any) of the Ordinary Share Return over the Benchmark Return in each Incentive Period, provided that the Incentive Fee in respect of the Ordinary Shares shall only be payable if and to the extent that the change in the Ordinary Share Return Index in the relevant Incentive Period is greater than the change in the Benchmark Return Index in such period. If the change in the Ordinary Share Return Index is less than the change in the Benchmark Return Index in any Incentive Period, the number of basis points by which the change in the Ordinary Share Return Index is less than the change in the Benchmark Return Index will be carried forward and deducted from the Ordinary Share Return Index of the subsequent Incentive Period for the purposes of determining whether in such subsequent Incentive Period the change in the Ordinary Share Return Index exceeds the change in the Benchmark Return Index.

The Incentive Fee is payable in cash, save that, subject to the Laws, the Listing Rules and all other applicable requirements, the Company may with the written consent of BBIML pay up to 60 per cent. of the Incentive Fee by issuing Ordinary Shares of an equivalent value to BBIML. The issue price of any Ordinary Share issued in lieu of a cash payment in respect of an Incentive Fee shall be the Volume Weighted Average Price at which Ordinary Shares traded on the London Stock Exchange over the period of twenty days immediately following the date on which BBIML consented to the issue of Ordinary Shares in lieu of a cash payment of the Incentive Fee.

No separate Incentive Fee is payable on C Shares.

Expenses and Overhead Costs

Under the terms of the Investment Advisory Agreement the Investment Adviser is entitled to a reimbursement of any out-of-pocket expenses incurred by it in performing its duties under the Investment Advisory Agreement. Under the terms of the Limited Partnership Agreement, the General Partner is entitled to recover an amount as agreed between Luxco 2 (as limited partner) and the General Partner as being the sum spent on the General Partner's or the Operator's corporate overheads incurred in providing services in respect of the Group (including employee costs, office rental and IT software and hardware). The amount agreed in respect of the period until 30 June 2007 shall be increased annually in line with inflation in the UK.

Administration Fees

The Administrator is entitled to an annual administration fee from the Company equal to 0.01 per cent. of the Net Asset Value of the Company per annum subject to a minimum of £10,000 per annum, together with a fee for Company secretarial services of £20,000 in the Company's first year of operation and £12,500 per annum thereafter, subject to a time cost override. The Administrator is also entitled to a fee for accounting services including preparation of annual and interim accounts based on time spent subject to a minimum of £10,000 per annum and a maximum of £25,000 per annum. Specific administration, accounting and company secretarial duties which relate to the operation and consolidation of the C Share Seed Portfolio will be subject to an additional time cost fee for the period up to Conversion when the C Shares are in issue.

The Domiciliation Agent is entitled to an annual domiciliation fee of €7,200 (€3,600 per annum per Luxco).

Registrar and Transfer Agency Fees

The Registrar is entitled to receive a quarterly fee in arrears based on the number of Shareholders (subject to an annual minimum fee of £4,750) and the number of transfers. The Registrar is also entitled to receive a fee of £1,500 per annum for maintaining the register and for the provision of a UK transfer agent.

Receiving Agency Fees

The Receiving Agent is entitled to receive fees based on (*inter alia*) the number of applications under the Offer for Subscription, subject to a minimum of £6,500.

Directors' Fees

The Directors will be remunerated for their services at such rate as the Directors shall determine, provided that the aggregate amount of such fees shall not exceed £125,000 per annum (or such other sums as the Company in general meeting shall from time to time determine).

Investment and Financial Advisory Costs

The Group will bear stamp duties, taxes, commission, foreign exchange costs, bank charges, registration fees relating to investments, insurance and security costs and all other costs associated with the acquisition, holding and disposal of investments. The costs and charges relating to any deposits pending investment or investments in cash or near cash assets on a temporary basis together with any costs and expenses of any hedging activities will be borne by the Group.

Under the Financial Advisory Mandate, the Arranger has been granted the first and last refusal to provide financial advisory and investment banking services to the Group in respect of future acquisitions and disposals, financing, equity and debt raisings, refinancing, restructuring and certain other related activities. If the Arranger is engaged to provide such services to the Group, it will be entitled to certain advisory fees including, in respect of acquisitions, up to 1.5 per cent. of the Enterprise Value of investments acquired and, in respect of equity raisings, amounts agreed with the Company. The Company has agreed a fee of 1.5 per cent. of the proceeds of the Issue consistent with the financial advisory fee paid to the Arranger for the Initial Public Offer. Accordingly, under the terms of the Financial Advisory Mandate, and in connection with the Acquisition and the Issue the Arranger will be entitled to a fee of 1.5 per cent. of the Price (the Acquisition Advisory Fee) and 1.5 per cent. of the proceeds of the Issue (the Financial Advisory Fee). However, in the event that both the Issue and the Acquisition complete, the Arranger has agreed to waive its right to receive such portion of the Financial Advisory Fee as is equal to the Acquisition Advisory Fee.

Other Fees and Expenses

The Company will also be responsible for other ongoing operational costs and expenses which will include the Auditors' fees, as well as listing fees, regulatory fees, directors and officers' insurance cover, printing and legal expenses and other expenses (including insurance and irrecoverable VAT). It is intended that the Luxcos will bear the costs of their administration and domiciliation fees as detailed above. The Partnership will bear the expenses of its operation.

The Directors consider that the fees described above reflect arm's length market based fees.

Part II The Infrastructure Market and Characteristics of the Company's Investment Portfolio

The Infrastructure Market

INTRODUCTION

Infrastructure can broadly be defined as the physical assets and systems that support a country or community. These assets enable services such as transportation, utilities, and communications and provide social needs such as housing, health, transport and education services.

Development and modernisation of infrastructure is core to economic growth of any country and normally requires significant initial investment. Historically, infrastructure has been procured and funded by the public sector, with the taxpayer taking both the responsibility, and risk, of asset delivery, cost and operation. To obtain better value for money for taxpayers, to share the burden of financing and in some cases to overcome constraints imposed by the public sector budgetary process, governments have turned to the private sector to assist in the procurement of infrastructure. Private sector involvement in the provision of infrastructure has steadily increased with privatisation of existing businesses and the use of concessions to procure new assets. Under the procurement model, of which PFI (Private Finance Initiative) and PPP (Public Private Partnership) are variations, a private sector entity is normally contracted to construct, finance and then operate a piece of infrastructure for an agreed period of time. In the NHS LIFT initiative, the private sector entity contracted to procure an asset has majority private sector shareholders with minority public sector shareholders.

A number of factors are driving the growth of private sector involvement in infrastructure in a number of countries, including:

- significant infrastructure requirements resulting from population growth and economic development;
- historic underinvestment, in some countries, in existing assets and new infrastructure needs;
- evidence in some studies that the private sector is achieving significant cost efficiencies in the delivery and operation of infrastructure compared to the public sector; and
- budgetary pressure and a need to manage public debt levels, for example, for member states to meet the Maastricht criteria of the European Union.

The success of private sector involvement in the infrastructure sector has led many governments to implement standardised procurement models such as PFI and PPP. Although many countries often use these models initially to procure transportation infrastructure, many (for example the UK, Portugal, France and Spain) have responded to the success of their initial projects by extending the scope into the provision of other public or social infrastructure assets.

WHAT IS PUBLIC OR SOCIAL INFRASTRUCTURE?

Public or social infrastructure includes social assets such as roads, railways, schools, prisons and hospitals. In the UK, these essential assets are commonly provided through the PFI/PPP model. Under a PFI/PPP structure, a consortium of private sector entities (usually comprising a construction company, a facilities management operator and financial investors) form a Project Entity which enters into a contract with a Public Sector Client to design, build, finance and maintain a public or social infrastructure asset in accordance with agreed service standards and is remunerated for this under a mechanism agreed by both parties. Although the Project Entity will be responsible for the construction of the infrastructure asset in the case of PFI/PPP, it will not usually have full ownership rights over the asset which will usually revert to public sector ownership on termination of the relevant contract (although this is not the case with respect to four projects in the Existing Portfolio where the residual value interest will belong to the Group). For NHS LIFT projects, the Project Entity (owned by both public and private sector participants), will also own the land on which the health facility is built and the buildings on it with the public sector being granted the right to occupy under a "lease plus agreement".

STRUCTURE OF A TYPICAL PFI/PPP PROJECT

The Project Entity will fund the initial project costs, including the cost of the construction of the infrastructure asset through a mixture of:

- long-term senior debt contributed by banks or through the issue of bonds; and
- equity and subordinated debt (including by way of partnership or shareholder loans) contributed by the financial investors and other consortium members participating in the Project Entity.

Senior debt is sometimes drawn first, and equity and subordinated debt subscription amounts are sometimes drawn towards the end of the construction phase. In some instances, bank letters of credit are required to be provided upfront in respect of the equity and subordinated debt subscription amounts.

Once the social infrastructure asset has been built, and provided the agreed service levels are met, the Project Entity will receive payments from the public sector body for the remainder of the concession. The payments are often inflation-linked or fixed in real terms with reference to specific inflation indexes (e.g. RPI or CPI). They are generally either "availability" based or "demand" based, depending on the nature of the project.

"Availability" based projects entitle the Project Entity to receive regular payments from the public sector body to the extent that the project asset is "available" for use in accordance with contractually agreed service levels and performance standards are met. "Demand" based projects entitle the Project Entity to receive payments related to the usage of the project asset.

Once the payments received by the Project Entity from the Public Sector Client have been used to service the senior debt repayments, operating costs and other expenses and the funding of reserves, they will be used to remunerate the equity and sub-debt owners in the form of interest payments on subordinated debt, repayment of subordinated debt principal and dividend payments.

At the outset of the project, the Project Entity will generally enter into contracts with subcontractors with the aim of passing on to the latter the various risks associated with providing the construction and operational services. In this way, the risks of cost overruns and delays and deductions from concession revenues for poor performance are largely passed on, subject to the relevant caps and other limits on liability, to the Project Entity's construction contractors and facilities managers.

The PFI model, based on a strong market of suppliers and advisers and a robust contractual framework, now has a strong intellectual pedigree. The standardisation of contracts has helped deliver value for money and PFI now provides a model for delivery of successful public capital projects on time and to budget. (Source: *"PFI: The State of the Market"*, Partnerships UK, October 2007)

Due to its many benefits, use of the PFI/PPP model in the UK has been growing and PFIs are expected to continue to account for 10-15 per cent. of total investment in public services (Source: *"PFI: strengthening long-term partnerships"*, HM Treasury, March 2006). The benefits of the model include:

- Risk allocation to parties best able to manage or mitigate individual risks
- In contrast to traditional procurement where the private sector may be less concerned with higher maintenance costs once the asset is delivered (as it does not subsequently manage the asset), under a PFI/PPP, the private sector competes to deliver services over the long-term at the most economically advantageous price taking into account life-cycle costs
- PFIs/PPPs are seen as a way of bringing private sector know-how and management expertise to the provision of public services and, hence, to improving value for money. Some studies have reported savings of 15-20 per cent. compared to the costs of an equivalent publicly procured project (Source: *"Developing Public Private Partnerships in New Europe"*, PricewaterhouseCoopers)
- PFIs/PPPs allow public-sector entities to spread payments for social infrastructure assets over a number of years and may allow the associated debt to be kept off the public sector's balance sheet

As payments to the private sector under a PFI/PPP structure do not typically commence in full until the asset has been built and an agreed level of service is being provided, the private sector is incentivised to complete construction with minimal delay and provide high quality services. The UK experience of PFIs/PPPs suggests that these structures can provide significant improvements over the results that can be achieved from traditional forms of procurement:

- Only 24 per cent. of UK construction projects were delivered late to the public sector compared to 70 per cent. of projects under traditional procurement (Source: *"PFI: Construction Performance"*, National Audit Office, February 2003)
- In only 22 per cent. of UK construction projects have costs to the public sector exceeded the price agreed at contract compared to 73 per cent. under traditional procurement. Where cost overruns occurred, these were generally the result of changes to the project instigated by the Public Sector Client and not the fault of the Project Entity or its subcontractors. (Source: *"PFI: Construction Performance"*, National Audit Office February 2003)
- 66 per cent. of UK public sector contract manager respondents rate the performance of their PFI projects as either "Very good" or "Good" and 30 per cent. rate the performance as "Satisfactory" (Source: *"Report on Operational PFI Projects"*, Partnerships UK, March 2006)
- In 89 per cent. of UK projects, measurement of the service providers' performance against the requirements set out in the contract shows that service levels are being achieved "Always" or "Almost always" (Source: *"Report on Operational PFI Projects"*, Partnerships UK, March 2006)
- 79 per cent. of UK users of public services delivered under the PFI model feel that services are "Always" or "Almost always" being delivered to an acceptable standard (Source: *"Report on Operational PFI Projects"*, Partnerships UK, March 2006)

The positive track record of PFI/PPP in the UK has made it an increasingly popular means of procuring social infrastructure. To date, over 800 PFI projects, with a total capital value of c.£55 billion have been signed in the UK (Source: *"Building on success: The way forward for PFI"*, CBI The Voice of Business, June 2007, HMT database of signed PFI projects, www.hm-treasury.gov.uk). At least 500 of these are now in operation (Source: *"PFI: strengthening long-term partnerships"*, HM Treasury, March 2006). Furthermore, the total PFI deal pipeline over the next five years is estimated at around 200 projects worth over £26 billion in capital value (Source: *"PFI: strengthening long-term partnerships"*, HM Treasury, March 2006). The track record of the model has also led to the development of similar models within the UK such as LIFT schemes which operate under the same principles.

NHS LIFT

The UK National Health Service LIFT (Local Improvement Finance Trust) initiative (**"NHS LIFT"**) was introduced to promote the development of new and refurbished primary community health facilities and facilities for general medical practitioners. Some 48 projects, in four waves, have been approved, of these, 45 have reached financial close and the remaining three fourth wave NHS LIFT projects are currently working with their preferred partners towards financial close. (Source: *"NHS Local Improvement Finance Trust"*, Department of Health, November 2007). These franchises represent an agreement entered into by the local NHS primary care trusts in each area whereby the trusts have agreed to grant to a LiftCo (a company majority owned by the private sector and with minority public sector shareholders) an exclusive right (subject to compliance with certain obligations) to develop and invest in all primary care health facilities procured by that trust over the twenty year term of the agreement. The earliest of

these agreements to expire expires in 2023. Babcock & Brown have interests in seven of these NHS LIFT franchises and believe that the exclusivity provisions should ensure a significant flow of investment opportunities through the NHS LIFT procurement.

GLOBAL TRENDS

Although Britain has been a front-runner in developing PFIs/PPPs, an increasing number of governments around the world have been turning to the PFI/PPP model as a viable option for providing essential public assets and services in an efficient and cost-effective manner. There is a desire by the public sector to increase infrastructure provision and services within imposed budgetary constraints.

The global development of the PFI/PPP model continues to progress as more countries implement the legal and institutional frameworks required to accommodate PFIs/PPPs. A summary of some of the major markets in which the Company may evaluate opportunities is set out below.

EUROPE

In Europe, public investment has been falling as a share of gross domestic product. The investment requirements of economic growth and the desired increase in standards for public services have resulted in a significant infrastructure gap particularly in new member states. The World Bank estimates the infrastructure investment needs for the accession candidates alone to be Euro 65 billion over 15 years (Source: *"Developing Public Private Partnerships in New Europe"*, PricewaterhouseCoopers, May 2004).

The European Commission ("**EC**") has been working to remove remaining obstacles to the development of PFIs/PPPs across Europe. EC support for the model was set out in *"Green Paper on Public Private Partnerships and Community Law on Public Contracts and Concessions"*, published in April 2004 and updated in September 2005. The paper discusses how EC rules on concessions apply to PPP contracts, and seeks to ensure that operators within the EU are not prevented from gaining access to different types of PPPs.

Many European countries, particularly France, Italy and Spain, initially developed PPPs in the transport sector and later extended their use to other sectors, such as education, health, energy, water and waste treatment. In recent years, a number of European countries have initiated legislative changes and developed institutions to encourage PFIs/PPPs.

IRELAND

In Ireland, in Autumn 2005, the Irish Government announced an expansion of the role of the National Development Finance Agency to facilitate the establishment of a new Centre of Expertise to be responsible for the procurement of all new PPP projects in the central government area (with the exception of road and rail) (Source: *"Delivering the PPP promise"*, PricewaterhouseCoopers, 2005).

Since 2005, the PPP market in the Republic of Ireland has continued to be buoyant and is expanding from the high-profile toll road programme into social infrastructure such as accommodation, schools and healthcare. PPP is expected to account for €5.5 billion of the total five-year government capital investment programme of €43.5 billion. There will also be a further €2 billion allocation from government for PPPs where the majority of project costs are to be met by user charges. (Source: *"European PPP Report 2007"* DLA Piper, 2007)

The main focus of PPP activity in Ireland has historically been the National Road Authorities ("**NRA**") toll road programme, including the Waterford Bypass and Limerick Tunnel. While there is expected to be further road PPP projects following the end of the NRA toll road programme, they may not be exclusively real toll projects. Other high profile projects, currently being assessed, include the Dublin Metro, the Dublin International Conference, a new Greenfield prison and the first bundled schools project. These are all significantly sized projects which are expected to attract a good range of international and local consortia.

Babcock & Brown have a number of Infrastructure Team members based in Dublin.

ITALY

In Italy, a PPP taskforce (Unità tecnica per la Finanza di Progetto (UFP)) was established in 1999 to provide guidance to public administrations in identifying projects suitable for private sector participation and assistance in tendering those projects (Source: *"Delivering the PPP promise"*, PricewaterhouseCoopers, 2005). In 1998, Italy passed the Merloni Law which introduced project finance techniques and structures to the country (the International Project Finance Association (IPFA): www.ipfa.org). Subsequent amendments to the Merloni Law were designed to encourage private sector participation in the construction and operation of public infrastructure facilities. In particular, the 30 year maximum concession period and the 50 per cent. maximum level of public sector grants and subsidies have been abolished (Source: *"Delivering the PPP promise"*, PricewaterhouseCoopers, 2005). In 2003, the Italian government created a Project Finance unit, Infrastructure Spa (ISPA), to finance large infrastructure projects. ISPA was merged into Cassa Depositi e Prestiti SpA, CDP, in January 2006. CDP is a state-owned financial institution mandated to fund local infrastructure projects that are potentially self-supporting.

In 2001, the Italian government approved a national programme with a total capital value of Euro 125 billion to be procured over the next decade to 2011. This figure was increased to Euro 175 billion in July 2005 (Source: *"Italian PPP and transport infrastructure sector review"*, infrastructure journal, www.ijonline.com, 31 March 2006).

In April 2006, the new centre-left coalition government of Romano Prodi was elected into power. Following his election, the lower house offered their support for the government's proposal to halt development of one of the most high-profile PPP projects in Italy, the Messina bridge, on the basis that the bridge was non-priority work. The new government stated that the Messina bridge was an extreme example of a system which promises a large pipeline and fails to deliver. Consequently, the newly appointed Infrastructure minister announced a slimmer, more deliverable pipeline of projects. (Source: *"European PPP Report 2007"* DLA Piper, 2007)

With the enactment of the Legislative Decree no. 163/2006, effective from 1 July 2006, the government consolidated, into a single piece of legislation, the framework applying to (i) public works contracts (ii) public supplies contracts (iii) public services contracts. As a consequence, the Merloni Law (Law no. 109/1994 and subsequent amendments and supplement) was repealed and replaced by the provisions of the Public Contracts Code relating to the procurement and performance of public works, and although the two procurement routes for the awarding of concession agreements for the construction and management of public works under the Merloni Law remained essentially the same, the Italian government has brought in various amendments since. (Source: *"European PPP Report 2007"* DLA Piper, 2007)

Looking forward, Italy is expected to deliver a slimmed down project pipeline, with a few cancellations of projects currently in procurement which are considered either non-priority by the government, or likely to hit the public sector balance sheet. These changes are, however, not viewed negatively, as there is a huge amount of infrastructure interest in the country, the hospital market is expected to be active, roads are expected to remain prominent, and light rail and water are expected to make an entrance. Limited recourse finance for projects is seen as the way forward, and is provided for in the new legislation. There is also expected to be an important development in the availability and use of third party equity and the potential development of a secondary market for PPP investments.

Babcock & Brown has a number of Infrastructure Team members based in Milan.

SPAIN

Spain is another example of a European country encouraging the development of PFIs/PPPs. In December 2004, the Spanish Public Works Ministry (Ministerio de Fomento) presented the draft of an infrastructure and transport plan for 2005-2020 (Plan Estratégico de Infraestructuras y Transporte (PEIT)) which forecast a total investment of Euro 214 billion over a 15-year period (Source: *"Delivering the PPP promise"*, PricewaterhouseCoopers, 2005). IPPP (Asociación Público-Privada) structures are expected to account for almost 20 per cent. of the total investment (Source: *"Delivering the PPP promise"*, PricewaterhouseCoopers, 2005).

The Spanish PPP market has continued to grow and maintain its reputation as one of the leading markets for the delivery of completed projects. PPP principles have been successfully applied to hospital and airport projects, in addition to the road sector which has grown in size and number of deals. Historically, the market has been dominated by domestic contractors, operators and funders, however, the non-Spanish businesses are now beginning to gain a toehold. (Source: *"European PPP Report 2007"* DLA Piper, 2007)

The current government is working on a new law for PPP contracts (Contrato de Colaboracion Publico-Privada). The new law will define the risk transfer and payment mechanism options for PPP contracts, thereby tightening the 2003 Concession Law. The Law will also set out the range of PPP structures possible.

Given the relatively low equity returns seen on PPP projects in Spain, there has been no influx of primary equity funds seeking investment. The PPP model has continued to be adopted by localised procuring bodies at municipal and regional level, who have become aware of the benefits of private sector financing techniques and value for money issues. More local health and road schemes are coming on line and 16 national road enhancement schemes have been looked at the national level, with a total value of c.€5 billion. (Source: *"European PPP Report 2007"* DLA Piper, 2007)

Babcock & Brown has Infrastructure Team members active in Spain and Portugal.

FRANCE

In France, a PPP law, the *"Contrats de Partenariat de l'Etat et de ses établissements publics"* was passed in 2004 (Source: <http://www.legifrance.gouv.fr/>; French Ministry of Economy, Finance and Industry: www.ppp.minefi.gouv.fr). The Contrat allows a public sector entity to grant a private sector entity the right to finance, construct, maintain and operate public works such as hospitals and schools on a long-term basis in return for payments from the public sector entity (Source: <http://www.legifrance.gouv.fr/>; French Ministry of Economy, Finance and Industry: www.ppp.minefi.gouv.fr). The new legislation was followed by the announcement in May 2005 of the establishment of a Ministry of Finance PPP unit to identify pilot projects which may be suitable for the ordinance. In view of this new clearer legal framework as well as ongoing budget constraints and efficiency requirements, recourse to PPPs may increase in the future.

In February 2006, the first wave of French prison PPPs worth roughly Euro 300 million reached financial close and the second scheme worth roughly Euro 200 million was also announced (Source: *"The first wave of French prison PPPs"*, infrastructure journal, www.ijonline.com, 15 March 2006). In July 2006, RFF, France's rail infrastructure manager, announced four rail PPP projects worth over Euro 6 billion (Source RFF Kicks Off Four PPP Projects, infranews, 6 July 2006)

France has moved its PPP market forward to become one of the most dynamic across a range of sectors in 2007. The market is characterised by a degree of central control and planning which offers a good compromise between the extremes of Italy and the UK. There is a central PPP task force in the Ministry of Finance which oversees and authorises projects to move into tender. (Source: *"European PPP Report 2007"* DLA Piper, 2007)

One of the key changes in legislation has been affected by the January 2006 law, which allows the state-owned rail enterprise Réseau Ferre de France to procure infrastructure projects under the Contrats de Partenariat formula, using payment structures based on demand, availability or performance. (Source: *"European PPP Report 2007"* DLA Piper, 2007)

Going forward, it is expected that the new Sarkozy government will continue to support the use of PPP's and will aim to improve delivery and levels of investment. Roads, prisons and hospitals remain strong sectors, but the January 2006 law and the announcement that the RFF will procure four heavy rail infrastructure projects using a PPP mechanism, has propelled rail to the forefront of the PPP market in France.

While the market is not yet mature enough to have developed a secondary market for project equity, the advent of the funds driven by the larger scale of projects coming forward and the potential scale back of the market post-election could initiate some trading activity.

Babcock & Brown has Infrastructure Team members based in Paris.

GERMANY

German authorities have also come to recognise that, given budgetary restraints, an element of private sector involvement is essential in order to finance necessary investments in public infrastructure. This is evidenced by the passing of the PPP Acceleration Act which came into effect in September 2005 (Source: *"Public-private partnerships in Germany"*, infrastructure journal www.ijonline.com, 24 December 2005). The Act is designed to reduce legal restraints on PPPs and afford authorities greater flexibility in the procurement process.

The German government aims to increase spending through a four-year Euro 25.2 billion growth programme without increasing its budget deficit and PPPs are expected to be an important part of the solution (Source: *"German government to boost PPP investments"*, infrastructure journal, www.ijonline.com, 17 January 2006). The government intends to raise the share of PPPs in public sector investment from the current level of 4 per cent. to about 15 per cent. (Source: *"The prospects for German PPP"*, infrastructure journal, www.ijonline.com, 27 July 2006). In June 2006, Germany's first health PPP, the Euro 300 million (including an initial investment and funding requirement of Euro 136 million) proton therapy centre for the treatment of cancer at Essen University Hospital reached financial close (Source: *"The prospects for German PPP"*, infrastructure journal, www.ijonline.com 27 July 2006).

The future for the German PPP market looks good. Like Spain, it has established a reputation for delivery of projects at federal, state and municipality level. This has been assisted by task forces for PPP projects in federal government and some of the Lander. These task forces promote and accompany selected PPP projects. There is a great deal of information and expertise available and this is being applied to get the deals done. (Source: *"European PPP Report 2007"* DLA Piper, 2007).

Babcock & Brown has a specialist PPP resource based in Munich to concentrate on German PPP opportunities.

CENTRAL AND EASTERN EUROPE

The PFI/PPP model is also gaining ground in Central and Eastern Europe ("CEE"). In July 2004, a PPP Centrum was established in the Czech Republic to advise on the necessary amendments to the legal framework and encourage PPPs (Source: *"Delivering the PPP promise"*, PricewaterhouseCoopers, 2005). In August 2005, the Czech Government approved the PPP Concession Law allowing the pilot schemes to proceed (Source: *"Delivering the PPP promise"*, PricewaterhouseCoopers, 2005). Around the same time, a PPP Act came into force in Poland (Source: *"Delivering the PPP promise"*, PricewaterhouseCoopers, 2005). The Russian government has also passed a law to allow concession agreements to be concluded (Source: *"Russian Market Readies Itself for the PPP Revolution"*, infranews 2006). It is estimated that as of February 2008 there are Euro 9.6 billion of PFI (PPP projects announced since January 2006 in tender, at the pre approval stage or in finance in Eastern Europe.

Romania and Bulgaria are representative of the CEE region, making good progress in the PPP markets in 2006, delivering financial close on a number of projects, in a range of sectors. For many players, the political risk and associated issues such as currency exchange risk, lack of transparency, incomplete legal framework and procurement processes highly susceptible to challenge, make an unpalatable cocktail of risks. But for local contractors and banks and those from outside the region who have spent time undertaking more detailed segmentation of the overall market there are still opportunities which look both lucrative and, compared to Western European PPP modes, pretty low risk for the private sector in terms of the standard project risk (Source: *"European PPP market 2007"* DLA Piper).

Changes in legislation and a shift in European opinion on PFI/PPP projects have been a key driver in the growth of the European PPP market size which grew by 37 per cent. in 2006 over 2005. This growth was due to more countries putting projects into tender and (in the majority of cases) more projects being launched in each country (Source: *"European PPP market 2007"* DLA Piper, page 2, Figure 1.0).

The size of the project pipeline for the next two years in Europe is in excess of €100 billion. It is expected that much of this growth will come from the rail, waste and water, healthcare and defence sectors (Source: *"European PPP market 2007"* DLA Piper).

While the EC is considering further policy on PPPs, it is also making some strong signals that it will be actively involved in financially supporting PPP projects. A facility called JASPERS (Joint Assistance to Support Projects in the European regions) has been established by the EC, the European Bank for Reconstruction and Development and the European Investment Bank. JASPERS is a programme with funding to help governments design and prepare good quality projects and PPPs, which may need some form of European body approval or financial support.

The European PPP market cannot be viewed as a whole, with each market being at a different stage in its maturity, ranging from the UK, with its slowing market and a focus on value in the operational end of projects, to Romania and Bulgaria, with high demand for new infrastructure, coupled with a lack of skills and experience to procure in this manner. As a combined entity, with all its anomalies, it is anticipated that the European PPP market will continue to be a major driving force within the global market.

Outside Europe, the need for sustained infrastructure investment is also recognised and interest for private sector involvement in infrastructure provision is growing.

AUSTRALIA

Australian governments continue to support the PPP model with well-developed implementation frameworks. In October 2005, John Howard, the ex-Australian Prime Minister, announced that all federal departments and agencies must consider PFI/PPP arrangements for projects costing more than AU\$100 million (Source: *"Aussie PPP Sector Supports Changes"*, *infranews*, 15 November 2005). The Australian PPP market is arguably among the most sophisticated in the world, and is continuing to improve and evolve.

A recent survey, the first of its kind in Australia found the PPP cost advantage has been found to be economically and statistically significant in Australia. On a contracted AU\$4.9 billion of PPP projects, the net cost overrun was only AU\$58 million, compared to a AU\$73 million overrun from AU\$4.5 billion of traditional procurement projects (Source: *"Performance of PPPs and Traditional Procurement in Australia"* The Allen Consulting Group, November 2007).

Similarly, with respect to time overruns, on a value-weighted basis, traditional projects were found to be more likely to be completed later than PPPs relative to the budget. While smaller traditional projects were completed ahead of time, the project size has been shown to have a marked negative impact on time overruns compared with PPPs whose timeliness was not negatively impacted by the size of the project.

Estimates of the size of the Australian PPP market vary. In 2004, the National PPP Forum estimated that at that time, over AU\$9 billion in PPP projects were already contracted. This comprised over AU\$4 billion in PPP projects currently in the market, and over AU\$5.5 billion of projects being considered for delivery as PPPs (Source: *"Performance of PPPs and Traditional Procurement in Australia"* The Allen Consulting Group, November 2007). As at July 2007, a number of PPP projects are currently underway in various phases of the PPP lifecycle. The Australian National PPP forum lists 37 projects that were contracted or completed at July 2007, with 7 projects currently in the market and 24 future projects in the pipeline (Source: *"Performance of PPPs and Traditional Procurement in Australia"*, The Allen Consulting Group, November 2007).

According to the Financial Times, the Australian market comprised AU\$9 billion of projects between 2000 and 2006, and is expected to grow to AU\$100 billion in the next ten years (Source: *"Sydney counts the cost of borrowing"*, Financial Times, 14 September 2006). However, such levels will not be achieved unless the market share of PPPs rises significantly.

Approximately AU\$400 billion is likely to be spent on Australian infrastructure over the next decade, according to State infrastructure plans (Source: *"Performance of PPPs and Traditional Procurement in Australia"*, The Allen Consulting Group, November 2007). If PPPs were to continue to account for a 10-15 per cent. share of this, PPPs would generate circa AU\$6 billion in potential benefit to the community. In order to reach the AU\$100 billion mark, it would be necessary for Australian PPPs to capture a 25 per cent. share of the overall infrastructure market.

Babcock & Brown is headquartered in Sydney and has specialist PPP teams based in Sydney, Melbourne and Brisbane.

CANADA

The PPP (or "P3" as it is termed in Canada) market is also developing in Canada and is underpinned by national and provincial governments' recognition that an infrastructure investment deficit exists in Canada. In November 2004, the Canadian Council for Public-Private Partnerships published a national survey of 2,000 members of the Canadian public under which over 80 per cent. of respondents expressed the view that government was unable to fully meet the demand for public infrastructure and services and 60 per cent. agreed that private sector participation in the provision of infrastructure ought to be encouraged.

(Source: *"The People Speak on P3 A national survey on attitudes to public-private partnerships"*, The Canadian Council for Public-Private Partnerships, 22 November 2004). Furthermore, at a Council of the Federation meeting in August 2005, Canada's territorial and provincial premiers identified Canada's significant infrastructure investment needs as follows:

- TD Bank Financial Group estimates Canada's infrastructure gap to be between C\$50 billion and C\$125 billion (Source: *"Mind The Gap, Finding the Money to Upgrade Canada's Aging Public Infrastructure"*, TD Bank Financial Group, May 2004).
- Infrastructure investment needs for Canada's urban transit is estimated at least C\$23 billion over the next few years (Source: *"Looking To The Future, A Plan for Investing in Canada's Transportation System"*, Council of The Federation, December 2005).
- Investment needs for urban roads and bridges is estimated at C\$66 billion over 10 years (Source: *"Looking To The Future, A Plan for Investing in Canada's Transportation System"*, Council of The Federation, December 2005).

Several Canadian provinces are adopting the P3 model as a means of alleviating this deficit.

Since 2004, the Canadian PPP market has grown rapidly, with numerous projects reaching financial close in several provinces. The pipeline of projects in the provinces of Alberta, British Colombia, Ontario and Quebec, suggest that more PPP project financing will follow.

Early Canadian PPP projects closely matched the framework of the UK's Private Finance Initiative in many aspects, but recently there has been a diversion from this framework, with many projects implementing contractual modifications to suit local market conditions, as well as meeting government concession grantor objectives.

Looking ahead, there is evidence that demonstrates appetite from sponsors, creditors and concession grantors for assets with increasing market or volume exposure.

The focal point of PPP activity is in four provinces. Firstly, British Colombia, which has substantial potential for a mix of availability-based healthcare projects, including long-term care and hospital PPPs, as well as continued growth in transportation projects that will see some degree of volume risk.

Secondly, Alberta, which, given its robust fiscal position, is likely to continue to be selective in its use of PPP asset procurement, primarily related to already well-received transportation projects and for strategic risk allocation purposes.

Thirdly, in Ontario, its announced transaction flow under its Alternative Finance and Procurement (AFP) model now exceeds 40 projects, with the initial emphasis of AFP being on hospital projects and, to a lesser extent courthouses and accommodation projects. The province is procuring these AFP assets under one of two approaches: a traditional long-term concession arrangement or, a shorter term build-finance approach where the government makes a lump sum payment following completion of a hospital asset, for example.

Finally, Quebec, has announced several private sector mandates for smaller developments such as the Montreal Symphony Orchestra and the rehabilitation of Montréal's Olympic Stadium roof. Quebec is also pursuing major PPPs in its transportation sector.

In addition to PPP activity at province level the federal government of Canada is also likely to consider some national PPP projects. The government has announced that it intends to create a national PPP fund of circa C\$1.25 billion to be directed to approved projects over the next several years, contributing up to 25 per cent. of their costs.

Canada's PPP market participants are well placed to draw upon past experience, both domestically, and globally, and also to contribute to the growing pool of innovative solutions brought about by the private sector for the delivery of essential public sector assets, to successfully deliver and grow the PPP market.

Babcock & Brown has specialist PPP resources based in Toronto and Vancouver.

UNITED STATES

Traditionally, US infrastructure has been developed and financed by governmental authorities through tax-exempt bonds, taxes and revenue funds. More recently, numerous factors including rising budget deficits have led many States to explore alternative infrastructure financing methods for infrastructure projects.

It is estimated that US\$1.6 trillion in spending in the next five years is needed to replace and expand ageing roads yet, in a transportation bill passed in 2005, only US\$186 billion was provided for highway spending by the Federal Government over the same period (Source: *"In American PPP, Politics is as Fundamental as Financing"*, Dick Gephardt, Mathew C. Bernstein and Cristina E. Antelo, DLA Piper Rudnick Gray Cary, Global PPP/Infrastructure Yearbook 06/07, infranews). Of this amount, US\$14.8 billion is earmarked for specific transportation projects, most of which require significant additional funding (Source: *"In American PPP, Politics is as Fundamental as Financing"*, Dick Gephardt, Mathew C. Bernstein and Cristina E. Antelo, DLA Piper Rudnick Gray Cary, Global PPP/Infrastructure Yearbook 06/07, infranews)

In response to this funding gap, many state authorities are increasingly laying the legal and political foundation to facilitate PFIs/ PPPs and are increasingly considering using the private sector to build, manage, and/or operate infrastructure assets, particularly toll roads, bridges and tunnels. The global market is beginning to realise the scope of future infrastructure requirements and funding shortfalls in America, and are beginning to recognise that the best opportunities for mature assets are in North America. For its part, the US market seems receptive, with 28 out of the 50 states passing legislation enabling private market investment in infrastructure.

One of the most active users of PPPs in America was Texas, with Texas legislation now facilitating PPP development in the Trans Texas Corridor. However, in 2007, a moratorium was signed on the privatisation of state toll roads or the sale of existing toll roads to private investors. While under the moratorium every planned road construction project will move forward as scheduled, the future outlook for PPPs in Texas looks uncertain. Despite the negative coverage of the Texas moratorium bill in the media, and predictions that it could make other US states considering P3s for new transportation projects more wary, industry leaders do not see it having an impact on a national scale. (Source: "Texas Toll Road Moratorium Moves a Step Closer" Infranews, 23rd April 2007)

Outside Texas, Virginia and Florida have been especially active in using PPPs. Virginia, for its part, is negotiating PPPs for several new projects, including the Dulles Rail Corridor, high occupancy toll lanes and reconstruction of tolled truck lanes.

The general view is that the market has yet to gather momentum and there is much ongoing dispute as to the benefits and costs of private sector investment in infrastructure, and while governments are beginning to use private sector, it is currently as a solution to one off projects or to fill budget gaps, and it does not yet form a major role in broader infrastructure planning.

Babcock & Brown has Infrastructure Team members active in various US states.

AFRICA

There are also signs that the PFI/PPP model is gaining ground in Africa. South Africa established the legal framework for PFI in 1999 and formed a PFI unit within the National Treasury in 2000 (Source: National Treasury PPP unit: www.ppp.gov.za). In April 2000, Treasury Regulations for PPPs were issued in terms of the Public Finance Management Act (Act 1 of 1999) (Source: National Treasury PPP unit: www.ppp.gov.za). More recently, the Public Investment Commission, an investment management company wholly owned by the South African government, announced plans to create a 25-year equity fund to attract local and international investment for infrastructure development across the continent in sectors including transport, energy, water and sanitation ("*New Fund for African Infrastructure Launched*", *infranews*, 9 June 2006). The Commission stated that the continent's infrastructure investment shortfall is estimated at US\$120 billion ("*New Fund for African Infrastructure Launched*", *infranews*, 9 June 2006). Following these frameworks, numerous PFI/PPP schemes have been announced, including the groundbreaking Gautrain high speed rail PPP, South Africa's first rail PPP (Source: "*All Aboard the Gautrain Express*" *Infranews*, 28 June 2007) and, in November 2007, South Africa's Department of Correctional Services published a request for qualifications for five new prison PPPs.

Other countries in the continent are also putting in place the institutional and legal framework needed to facilitate PPPs. For instance, the Government of Nigeria signed into law the Infrastructure Concession and Regulatory Commission Act 2005 which allows government ministries to grant concessions to private sector entities for the delivery of infrastructure (Source: "*Nigeria Passes PPP Law*", *infranews*, 23 November 2005). In February 2007, financial close was reached on Botswana's first ever PPP, a US\$10 million accommodation services project (Source: "*Botswana's First PPP Reaches FC*", *Infranews*, 22 February 2007).

Babcock & Brown has Infrastructure Team members based in Johannesburg.

MIDDLE EAST

The Middle East has also shown signs of turning to private sector participation in public/social infrastructure. As part of its privatisation strategy, the Kingdom of Saudi Arabia ("KSA"), the largest economy in the region, has undertaken to encourage private sector participation in the non-oil sectors of the economy. The Government has laid the legal and regulatory framework to facilitate privatisation, with PPPs seen as a preferred method. The Government established the Supreme Economic Council to oversee the privatisation programme. The Council lists one of its privatisation objectives as reducing the burden on the Government budget by amongst other things, "...transferring the management of public utilities to the private sector through contracts for management, leasing, or contracts for construction, and operation by the private sector" (Kingdom of Saudi Arabia Supreme Economic Council: www.sec.gov.sa). The Council's Privatisation Strategy identifies sectors in which private sector participation would be encouraged. These include social/public infrastructure sectors such as railroads, roads, educational facilities, social welfare institutions and medical facilities. Methods of privatisation envisaged under the Privatisation Strategy include "financing contracts" whereby the "investor assumes responsibility for providing the capital, operating, and investment expenditures" (Kingdom of Saudi Arabia Supreme Economic Council: www.sec.gov.sa). The Government of KSA reinforced its commitment to the Privatisation Strategy through the enactment of the new Foreign Investment Law and the establishment of the Saudi Arabian General Investment Authority ("SAGIA") in 2000 (Saudi Arabia General Investment Authority: www.sagia.gov.sa). The law allows foreign investors to hold 100 per cent. of projects in KSA and SAGIA's mission is to "...foster investment opportunities in energy, transportation and knowledge-based industries" (Saudi Arabia General Investment Authority: www.sagia.gov.sa). There are also private sector infrastructure initiatives in other countries in the Middle East (including the UAE (particularly Dubai) and Jordan).

Babcock & Brown has Infrastructure Team members based in Dubai.

ASIA

Legislation has been passed across Asia to encourage PPPs which are needed to fund the infrastructure financing gap. A joint study by the Asian Development Bank (ADB), Japan Bank for International Cooperation (JBIC) and World Bank (*"Connecting East Asia—a new framework for infrastructure"*, Asian Development Bank, Japan Bank for International Cooperation, World Bank, 2005) concluded that East Asia will need to resource estimated infrastructure needs of approximately US\$200 billion annually over the next five years and the private sector is expected to finance a proportion of this (*"Connecting East Asia—a new framework for infrastructure"*, Asian Development Bank, Japan Bank for International Cooperation, World Bank, 2005).

The Government of India is considering PPPs as a means of attracting foreign direct investment for infrastructure projects. The Indian Government has called for US\$320 billion of infrastructure investment in the next five years. Industry reports estimate that 44 per cent. of this investment will be financed through a PPP model which provides a plethora of opportunities for private and overseas investors (Source: *"S.S. Kantilal Ishwarlal Securities"* December 2006). The Government is taking policy initiatives to promote PPPs on a BOT (Build, Operate and Transfer) basis, including a draft Model Concession Agreement, which is expected to be applied to Indian motorways. Towards the end of 2007, the ADB announced it was providing US\$500 million of loans to India to help promote PPPs between the government and the private sector, increasing infrastructure investment levels. It is estimated that the money will help stimulate private-sector investments in infrastructure of up to US\$3.5 billion. (Source: *"ADB provides US\$500 million to Promote Indian PPPs"*, Infranews 18 December 2007)

At the Indonesia Infrastructure Summit 2005, the government of Indonesia announced a US\$22.5 billion infrastructure PPP programme (*"Indonesia's US\$22.5 billion PPP programme starts tender stream"*, infrastructure journal, www.ijonline.com 31 May 2005). The Government issued a public invitation for private sector investment in 91 projects and stated that it would revise laws to remove obstacles to investment (*"Indonesia's US\$22.5 billion PPP programme starts tender stream"*, infrastructure journal, 31 May 2005). However, a lack of planning, guarantees, feasibility studies and transparency resulted in almost no international interest in the tenders (Source: *"Indonesian Government Talks PPPs"* Infranews, 31 October 2006). This lack of interest led the government to announce the offering of 10, large, model projects with a total value of US\$4.5 billion, which will be prioritised, and were chosen based on their preparedness as PPP arrangements. The projects include power plants, turnpikes, seaports, municipal water systems and telecommunications (Source: *"Indonesian Infrastructure Conference Update"* Infranews, 14 November 2006). The ADB is also looking to support Indonesia's infrastructure investment strategy, and is looking to lend US\$428 million to Indonesia for infrastructure investment (Source: *"ADB Loans to Encourage Asian PPP Reforms"* Infranews, 24 November 2006).

Under the Ninth Malaysia Plan, a five-year development programme (2006-2010), the government of Malaysia announced a list of projects many of which are expected to be funded through PFIs. The Government has allocated RM20 billion (US\$5.4 billion) to PFI, with the education ministry accounting for 31 per cent. of that sum (*"Malaysian PPP Unit on the Cards"*, infranews, 13 June 2006). The Government also announced plans to establish a PFI central unit, which will comprise the Ministry of Finance, the Economic Planning Unit and the National Implementation Directorate to prepare the framework to guarantee fair risk distribution between the government and private sector (*"Malaysian PPP Unit on the Cards"*, infranews, 13 June 2006).

Babcock & Brown has Infrastructure Team members based in Hong Kong, Singapore, Mumbai and Tokyo.

THE OPPORTUNITIES PROVIDED FOR THE COMPANY BY THE MARKET

The Directors believe that the development of the public and social infrastructure market provides opportunities for the Group to invest both in markets where Babcock & Brown has a presence and also in new regions as they embrace the PFI/PPP and similar models. Such opportunities may take the form of investments in greenfield projects, where the Group may invest at financial close prior to the commencement of construction, or the acquisition of stakes in projects developed by other parties

In more mature markets it has been common for the original developers, in particular construction contractors, to consider selling their equity interests once a project has become operational. In recent years a number of developers have sold either individual or portfolio equity interests in projects they have developed. The Directors intend to pursue such opportunities and believe that the track record and global reach of Babcock & Brown will be a positive factor in assisting the Company to grow the Investment Portfolio.

Characteristics of the Company's Investment Portfolio

OVERVIEW

An investment in the Company will provide Shareholders with exposure to the infrastructure asset class. The Directors believe that infrastructure investments made in accordance with the Company's investment policy are attractive because of:

- yields which are attractive relative to the asset risk profile;
- the likelihood of long-term stable cashflows;
- high barriers to entry to competition;
- the creditworthy nature of counterparties;
- predictable low volatility returns;
- the effective pass-down of project related risks to subcontractors;
- opportunities to enhance the value of investments;
- low exposure to changes in the business cycle;
- low correlation to other investment classes e.g. property or other equity classes; and
- the growth potential of the asset class.

Additionally the Directors believe that the Company has distinguishing features from other listed investment entities offering exposure to similar assets. These include:

- the experience and track record of Babcock & Brown in the management of other funds investing in infrastructure assets;
- the development and origination capacity of Babcock & Brown with respect to new opportunities for the Group;
- the combination of operational assets and assets in construction within the Existing Portfolio and the C Share Seed Portfolio;
- the geographical diversity of the assets in the Existing Portfolio and the C Share Seed Portfolio;
- weighted average concession length of 26 years; and
- weighted average debt tenor of 25 years.

Some of the features of the Company's investment portfolio can be further explained as follows.

LONG-TERM STABLE CASH FLOWS

Infrastructure assets tend to have long-term stable cashflow characteristics. The majority of projects in the Existing Portfolio and the C Share Seed Portfolio consist of projects where the income stream is based on the physical availability of the assets and the standard to which certain services are provided. The obligations on the Project Entity to ensure availability relating to service levels are generally passed down to subcontractors on the basis that the subcontractors will account for any revenue receivables lost due to any default of theirs which compromises availability or service levels, subject to any applicable cap on liability. The existence of a robust insurance programme that provides for payment both for the capital cost of renewal and the lost revenue consequent upon the occurrence of an insured event together with the subcontractor pass down provisions are designed to ensure as far as reasonably possible that the cashflows which provide a return on Investment Capital are non volatile and predictable.

HIGH BARRIERS TO ENTRY

Infrastructure assets that are based on availability payment streams are indifferent to competition since the payment obligations on the part of the Public Sector Clients are fixed. Some assets (e.g. RiverCity Motorway in the Existing Portfolio) have revenue streams that are dependent upon user paid charges. The Group will invest in these types of assets where it believes that sound revenue projections exist or revenue levels have been established. Usually infrastructure assets with this sort of payment stream benefit from high barriers to entry to competition (e.g. in respect of a toll tunnel, the complexity and high cost of building a competing tunnel).

THE CREDITWORTHY NATURE OF COUNTERPARTIES

The Project Entities in respect of all but one of the Existing Portfolio and the C Share Seed Portfolio benefit from an availability based revenue stream ultimately payable by a Government entity, a local government entity or a statutory corporation (i.e. a UK National Health Service Trust) or their non-UK equivalents. The Directors believe that each of these is a high quality creditworthy counterparty.

PREDICTABLE LOW VOLATILITY RETURNS

The projected returns from the assets in the Existing Portfolio and the C Share Seed Portfolio are not guaranteed but where projects are operational, the experience to date has shown low levels of volatility of returns. Where investments have revenue streams that are dependant on user paid charges, once long-term use patterns have been established then these can also be expected to show low levels of volatility.

EFFECTIVE PASS DOWN OF PROJECT RELATED RISKS TO SUBCONTRACTORS

PFI/PPP type projects are generally structured such that risks and obligations imposed on the Project Entity by the Public Sector Client are intended to be passed down by way of subcontract to parties responsible for design and construction, and for facilities management of the project in question, subject to contractual terms. Other risks are sought to be backed off by insurance arrangements. The intention in structuring these projects in this way is to reduce exposure to risk and hence volatility in that part of the overall project income stream projected to be available to provide a return on Investment Capital.

LOW EXPOSURE TO CHANGES IN THE BUSINESS CYCLE

Infrastructure assets tend to be an essential part of the fabric of communities and hence they are necessary assets both in times of economic growth and in times of recession.

LOW CORRELATION TO OTHER INVESTMENT CLASS E.G. PROPERTY OR OTHER EQUITY CLASSES

Investments in infrastructure assets of the nature of the Existing Portfolio and the C Share Seed Portfolio usually have fixed (subject in the case of most projects to partial or full indexation in line with an inflation index and to periodic contractual benchmarking) income streams or income streams that are dependant upon predicted or established user demand. Income streams are frequently not linked to market forces (unlike rent reviews in real estate investments) nor exposed to competitive or technological pressures (unlike many equities). The Directors believe that the closest correlation for infrastructure assets is likely to be bond or other fixed interest investments but that infrastructure assets often provide additional equity upside opportunities not available to bondholders.

CREATING VALUE

The Company has targeted an IRR for investors of 8 to 9 per cent.⁴ on the Initial Public Offer issue price of 100 pence per Ordinary Share over the long-term. While the Directors believe that the Existing Portfolio and the C Share Seed Portfolio will offer an attractive current yield, the Directors believe that the Existing Portfolio and the C Share Seed Portfolio also have characteristics that are likely to allow increased value to be derived by the Group over time. Further value enhancement may also be achieved in respect of any Further Investments acquired by the Group.

Some of the sources of increased value may include the following:

- prudent investment and application of surplus cash;
- prudent use of gearing and hedging interest, currency and inflationary risks (as described in Part I of this Prospectus);
- creating efficiencies through the management of the long-term maintenance and asset replacement regime for the Project Entities;
- introducing more efficient financing structures and scale advantage;
- promoting increased third party income from the projects comprised in the Existing Portfolio and the C Share Seed Portfolio;
- providing soft and hard facilities management services to projects on a portfolio basis thus achieving economies of scale;
- variations arising from changing requirements of Public Sector Clients; and
- acquisitions of further investments (as described in Part I of this Prospectus).

VALUE INCREASE UPON COMPLETION OF CONSTRUCTION

The Directors believe that other market investors apply a higher valuation (i.e. apply a lower discount rate on projected cashflows) when the construction phase of projects has been concluded. This is likely to be because the construction phase is perceived as the phase of a project which is most subject to risk. Where the Group has economic interests in projects which are in construction it is likely that these interests will become more valuable when the construction phases end (assuming that project completion is achieved in line with projections).

DELIVERING ECONOMIES OF SCALE

The Existing Portfolio and the C Share Seed Portfolio consist of direct and indirect investment in Investment Capital in Project Entities. Currently many of these Project Entities have their own arrangements for matters such as insurance and the setting aside of reserves to meet future asset maintenance and renewal costs, The Directors believe that efficiencies may be achieved by dealing with such matters on a portfolio basis.

Many of the projects within the Existing Portfolio and the C Share Seed Portfolio also include the provision of "soft FM" services being facilities management services in areas such as cleaning, catering and security. Currently these services are all also provided on a project by project basis. Opportunity may also exist for these services to be provided more efficiently on a portfolio basis, subject to existing contractual structures.

CHANGE REQUESTS

The Public Sector Clients who receive services from the projects comprised within the Existing Portfolio and the C Share Seed Portfolio may from time to time require changes to the project facilities. For PFI projects, typically this occurs in the construction phase but sometimes this may occur after construction. In the case of NHS LIFT projects, no changes can be made during the construction period. Where additional capital expenditure is required, Project Agreements typically provide that any new investment shall be made on terms that such new investment receives a projected return equal to the return projected on the original investment into the project. The Directors consider it likely given the remaining length of the concessions within the Existing Portfolio and the C Share Seed Portfolio that changes of this sort are likely to occur although the timing of these cannot be predicted.

⁴ This is a target only and not a profit forecast. There can be no assurance that this target will be met.

INCOME GENERATION

Some projects in the Existing Portfolio and the C Share Seed Portfolio have the ability to generate income from third parties, for example by letting out school facilities for use after normal hours. In this instance, this income is typically to be shared between the public and private sectors. The Directors believe that there is potential with respect to certain of the projects in the Existing Portfolio and the C Share Seed Portfolio for this income to be enhanced.

REVIEW OF THE CAPITAL STRUCTURING OF PROJECT ENTITIES

Most of the Project Entities have the benefit of senior debt facilities which are limited recourse whereby the lender's only security is the assets of that Project Entity or that Project Entity's shares. A number of other comparable projects completed under the UK Project Finance Initiative have undertaken refinancings whereby the senior debt taken out by the Project Entities has been replaced by new senior debt. In a number of cases this has allowed additional limited recourse debt to be introduced (with the additional amounts of debt being utilized to provide accelerated returns for investors) and/or for the cost of that debt to be reduced. Typically in PFI/PPP projects, this possibility arises in the period after construction completion. In the UK, however, provisions exist through a code of practice and through contractual provisions with respect to some projects to the effect that in certain circumstances, up to 50 per cent. of gains from some financial engineering activities must be shared with the relevant Public Sector Client.

DEPOSITS PENDING INVESTMENT

It is anticipated that part of the Net Issue Proceeds may be applied on deposit with banks which are lenders to the Group in respect of the acquisition of investments comprised in the Existing Portfolio, in order that interest accruing on such deposits may be netted off against interest which would otherwise accrue on such borrowings.

The Company and any other member of the Group may also lend cash which it holds as part of its cash management policy. Such loans may include loans to entities within Babcock & Brown provided that such loans are at market rates of interest. Provided that this is the case, such loans will not be treated as related party transactions and no further consent shall be required for such loans to be made. It is anticipated by the Directors that such loans may be made in circumstances where Babcock & Brown is investing in the origination or development of further assets within a class of investments that may be attractive for the Group to acquire in due course and where the making of such loans will enhance the ability of the Group to negotiate the acquisition of further investments. Any such loans to Babcock & Brown will only be made with the approval of the Directors.

Part III The Existing Portfolio

INTRODUCTION

The Existing Portfolio consists of direct and indirect interests in Investment Capital in Project Entities which have:

- a direct or indirect entitlement (subject to contractual performance) to public sector or government or quasi- government backed revenues or, in the case of one asset, toll revenues;
- finished construction or are in the course of construction of public or social infrastructure facilities for the provision of services relating to health facilities, schools, government offices, courthouses, police and custodial facilities, rail infrastructure and rolling stock, transport concessions, showgrounds and a road tunnel; and
- contractual structures that usually provide for the majority of construction and operational project risks to be “passed down” by the Project Entity to subcontractors who take responsibility for such risks, subject to predefined caps on liability.

The Existing Portfolio consists of direct and indirect interests in Investment Capital in a series of projects developed under: the PFI programme of the UK government; the NHS LIFT programme; the PPP programmes of certain states within Australia; and PPP or similar-type programmes of Canada, Belgium, France, Germany and Ireland. Notable occupants of premises comprised in the Existing Portfolio include the UK Court Service, Thames Valley Police, HM Revenue and Customs and the Government of New South Wales.

INTERESTS COMPRISING THE EXISTING PORTFOLIO

A breakdown of the interests held by the Group in each of the projects comprising the Existing Portfolio is set out below. The scheduled completion date (where relevant) for each project referred to in the tables below is the date currently estimated for completion of the main construction works relating to the relevant project in each case. The actual completion dates may vary from those stated.

PFI/PPP AND OTHER NON-NHS LIFT PROJECTS

Project name	Country	Per cent. economic interest owned by the Group	Status (scheduled completion date)	Per cent. of Company's NAV ⁵
Abingdon Police Station	UK	100 per cent.	Operational	–
Amiens Hospital Project	France	95 per cent.	Operational	–
BeNEX	Germany	49 per cent.	Operational	6.5
Bootle Government Offices	UK	100 per cent.	Operational	–
Calderdale Schools	UK	100 per cent.	Operational	3.8
Derbyshire Magistrates Courts	UK	100 per cent.	Operational	–
Derbyshire Schools Phase 1	UK	100 per cent.	Operational	–
Derbyshire Schools Phase 2	UK	100 per cent.	Operational	–
Diabolo Project	Belgium	37.5 per cent. ⁶	Construction (completion due June 2012)	4.6
Dublin Criminal Courts Project	Ireland	100 per cent.	Construction (completion due February 2010)	3.1
Durham Courthouse	Canada	100 per cent.	Construction (completion due late 2009)	–
Hereford & Worcester Magistrates Courts	UK	100 per cent.	Operational	12.7
Long Bay Forensic and Prison Hospitals Project	Australia	50 per cent.	Construction (completion due mid 2008)	–
Maesteg Schools Project	Wales, UK	100 per cent.	Construction (completion due July 2008)	–
New South Wales Schools Project	Australia	25 per cent.	Construction/ Operational ⁷ (completion due up to mid 2008)	–
Norfolk Police HQ	UK	100 per cent.	Operational	3.6

⁵ Valuation of each project is as at 31 December 2007. The per cent. NAV has been provided for the Group's ten largest projects by NAV.

⁶ The Group intends to acquire an additional 27.5 per cent. economic interest in the Diabolo Project as part of the C Share Seed Portfolio as detailed in Part IV.

⁷ Five of the ten schools are operational.

Project name	Country	Per cent. economic interest owned by the Group	Status (scheduled completion date)	Per cent. of Company's NAV
North Wales Police HQ	Wales, UK	100 per cent.	Operational	–
Northamptonshire Schools	UK	100 per cent.	Construction ⁸ (completion due April 2008)	9.3
Reliance Rail	Australia	12.75 per cent.	Construction (rolling stock completion starting in 2010 through 2013)	–
RiverCity Motorway Project	Australia	5.36 per cent.	Construction (completion due late 2010)	4.1
Royal Melbourne Showgrounds Redevelopment Project	Australia	50 per cent.	Operational	–
St Thomas More School	UK	100 per cent.	Operational	–
Strathclyde Police Training Centre	Scotland, UK	100 per cent. ⁹	Operational	9.7
Tower Hamlets Schools	UK	100 per cent.	Operational	7.0

THE NHS LIFT PORTFOLIO: INTERESTS IN SUBORDINATED DEBT

The Existing Portfolio includes interests in subordinated debt borrowed to finance the construction of certain projects developed under the NHS LIFT initiative as set out below. The Partnership is one of a number of lenders under the subordinated credit agreement for each project, lending just under half of the subordinated debt in each case.

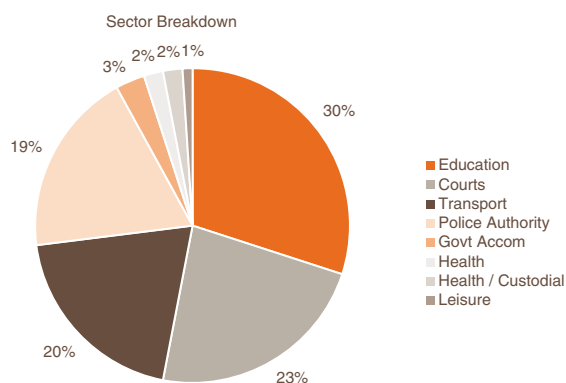
Project Name	Issuer	Status (scheduled completion date)
Alexandra Avenue Primary Care Centre	BBG Lift Accommodation Services Limited	Operational
Beckenham Hospital	BBG Lift Accommodation Services Limited	Construction (completion due January 2009)
Garland Road Health Centre	BBG Lift Accommodation Services Limited	Operational
Gem Centre (Children's Primary Care Centre), Bentley Bridge	Wolverhampton City and Walsall Lift Accommodation Services Limited	Operational
Monks Park Health Centre	BHH Lift Accommodation Services Limited	Operational
Phoenix Centre (Parkfields Primary Care Centre)	Wolverhampton City and Walsall Lift Accommodation Services Limited	Operational

⁸ All schools are operational, but construction works remain outstanding at all schools.

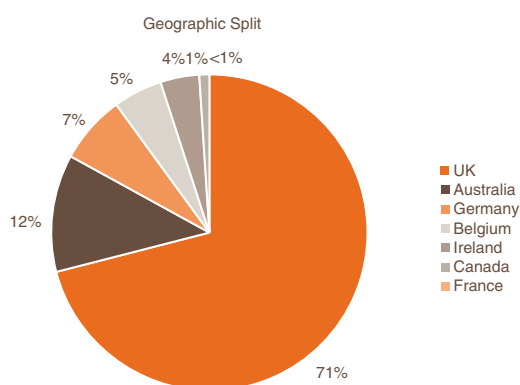
⁹ The Group acquired the senior debt interests in this project following the Initial Public Offer.

FEATURES OF THE EXISTING PORTFOLIO

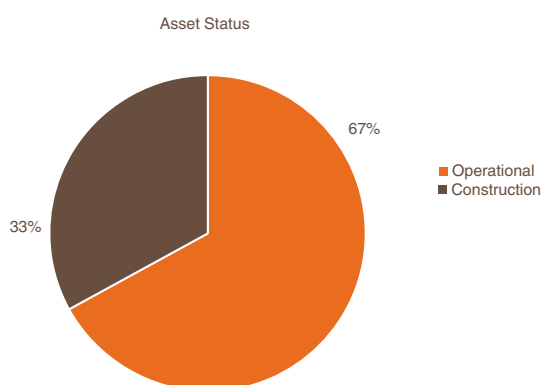
The chart below shows a breakdown of the Existing Portfolio by sector (based on values as at 31 December 2007).



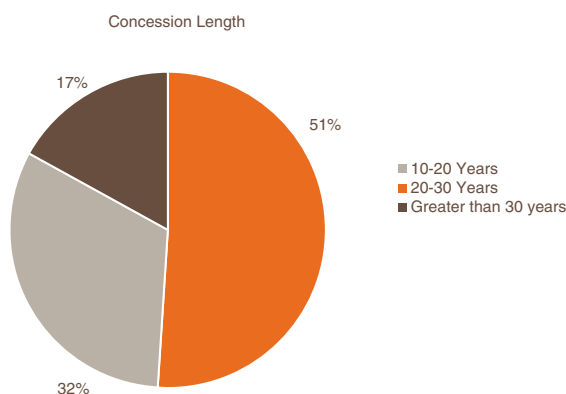
The chart below shows a breakdown of the Existing Portfolio by geographical location of the relevant project (based on values as at 31 December 2007).



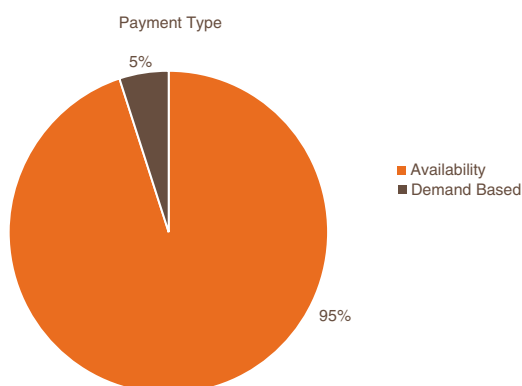
The chart below shows a breakdown of the Existing Portfolio by the status of the relevant project, i.e. whether such project is operational or in construction (based on values as at 31 December 2007).



The chart below shows a breakdown of the Existing Portfolio by length of the concession of the relevant project (based on values as at 31 December 2007).



The chart below shows a breakdown of the Existing Portfolio by payment type of the relevant project, i.e. whether such project is demand-based or availability-based (based on values as at 31 December 2007).



The pie charts above show a breakdown of the Group's portfolio as at 31 December 2007. This breakdown reflects the NAV of the investments comprised in the Group's portfolio which is based on the fair market valuation of the Investment Portfolio calculated using a discounted cash flow methodology. The discount rates used reflects the risks associated with the individual projects.

The table below shows the valuation methodology used by the Group as at 30 June 2007 and 31 December 2007.

Valuation Methodology	31 Dec 2007	30 June 2007
NAV	£330.4m	£322.4m
Weighted Average Risk-Free Rate	4.54%	5.18%
Weighted-Average Project Premium	2.96%	2.52%
Weighted Average Discount Rate	7.5%	7.7%
Discount Rate Range	6.4% - 10.2%	7.0% - 9.40%

For this Part of the Prospectus the NAV of the RiverCity Motorway Project has been calculated based on the closing share price for the holding company for the RiverCity Motorway Project as at 31 December 2007.

HOLDING STRUCTURES FOR, AND RETURN OF INVESTMENT FROM, THE EXISTING PORTFOLIO

The Company has invested in the Existing Portfolio indirectly through the Holding Entities described in Part I of this Prospectus under the heading "Group Structure". Through this holding structure, the Company holds directly and indirectly interests in Investment Capital in Project Entities. Accordingly, the return on investment accruing to the Group is made in the form of payments of interest and principal under principal and subordinated loan arrangements, partnership distributions, share dividends and trust distributions by Project Entities and intermediate holding entities, partnership and trusts.

Part IV The C Share Seed Portfolio

INTRODUCTION

The Group intends to acquire the C Share Seed Portfolio of infrastructure investments from the Vendors. The Partnership or its wholly owned companies have entered into the Acquisition Agreements with the Vendors in relation to the Acquisition of the C Share Seed Portfolio.

The C Share Seed Portfolio consists of direct and indirect interests in Investment Capital in Project Entities which have:

- a direct or indirect entitlement (subject to contractual performance) to public sector or government or quasi- government backed revenues;
- finished construction or are in the course of construction of public or social infrastructure facilities for the provision of services relating to health facilities, and one rail infrastructure project; and
- contractual structures that usually provide for the majority of construction and operational project risks to be “passed down” by the Project Entity to subcontractors who take responsibility for such risks subject to predefined caps on liability.

The C Share Seed Portfolio consists of indirect interests in Investment Capital in three projects developed under the PPP programmes of each of Australia, Belgium and Italy and eight projects developed under the UK NHS LIFT programme.

INTERESTS COMPRISING THE C SHARE SEED PORTFOLIO

PPP PROJECTS

A breakdown of the interests in the PPP projects forming part of the C Share Seed Portfolio is set out in the table below. The scheduled completion date (where relevant) for each project referred to in the table is the date currently estimated for completion of the main construction works relating to the relevant project in each case. The actual completion dates may vary from those stated.

Project name	Country	Buyer	Seller	Interest being acquired	Status (scheduled completion date)
Orange Hospital	Australia	BBPP (Aust) Limited	Pinnacle Infrastructure Pty Limited as trustee for the Pinnacle Infrastructure Trust	100 per cent. equity 100 per cent. subordinated debt	Construction (completion due 30 June 2011)
Brescia Hospital	Italy	Babcock & Brown Public Partnerships Limited Partnership	Babcock & Brown PPP Srl	24 per cent. equity 25 per cent. subordinated debt	Operational
Diabolo Project	Belgium	Babcock & Brown Public Partnerships Limited Partnership	Babcock & Brown European Investments S.à r.l.	27.5 ¹⁰ per cent. equity 27.5 per cent. subordinated debt	Construction (completion due February 2012)

¹⁰ The Group already holds 37.5 per cent. of the equity and subordinated debt in the Diabolo Project as part of the Existing Portfolio. The Group has been granted a call option by Babcock & Brown to acquire an additional 10 per cent. of equity and subordinated debt in the Diabolo project exercisable in the six month period after 1 November 2008.

ORANGE HOSPITAL PROJECT

The project in New South Wales in Australia comprises:

- the financing, design, construction and commissioning of new health facilities (comprising a general hospital, a forensic mental health facility and an acute mental health facility);
- the refurbishment of wards and buildings of the existing health facilities; and
- facilities management including maintenance and repair of all the health facilities (including the new, refurbished and existing health facilities).

The project benefits from a 28 year concession, expiring on 21 December 2035, with the Health Administration Corporation, a New South Wales state government guaranteed entity. Hansen Yuncken Pty Limited is the design and build contractor and Spotless Services Pty Limited is the facilities management contractor.

BBPP (Aust) Limited (a wholly owned subsidiary of the Partnership) has conditionally agreed to acquire 100 per cent. of the issued share capital of, and shareholder loans (subordinated debt) issued by, Pinnacle Healthcare (OAHS) Holdings Pty Limited (“**Orange Holdco**”), an Australian company which is the holding company for the Orange Hospital project. The Project Entity, Pinnacle Healthcare (OAHS) Trust, is an Australian resident unit trust (“**Orange SPV**”). Orange Holdco owns 100 per cent. of the issued units in Orange SPV.

BRESCIA HOSPITAL PROJECT

The Brescia Hospital PPP (phase 1) project involved the refurbishment and extension of part of the Brescia Hospital campus and included the provision of a café/retail unit. Construction works were completed in January 2005 with Bovis Lend Lease Limited as the design and build contractor, and the project is now operational. The project benefits from a concession expiring in June 2021 with the Brescia Hospital Authority (Spedali Civili). The Project Entity does not have any hard or soft facilities management responsibilities; its 'service' responsibilities are limited to the provision of a café/retail unit within the new facility and vending machines throughout the hospital.

The Partnership has conditionally agreed to acquire 24 per cent. of the issued share capital of, and 25 per cent. of the shareholder loans (subordinated debt) issued by, Catalyst Brescia Srl, the Project Entity.

DIABOLO PROJECT

The Diabolo project is a PPP infrastructure project to design, build, finance and maintain an upgrade to the rail links between the existing Brussels Airport railway station and the Belgian main rail network. The project is in construction under a contract expiring in June 2047 with Infrabel, the state owned rail infrastructure manager. The construction element is being provided by THV Dialink, a consortium comprising Vinci Construction Grands Projects, Smet Tunneling NV, Wayss & Freytag Ingenieur bau AG, CEI De Meyer NV and Aamemingsmaatschappij CFE NV. Infrabel itself is responsible as the subcontractor for delivering the railway engineering works. The project is bank debt funded with sponsor investment by way of equity and subordinated debt. The senior lender under the bank debt is HSH Nordbank AG.

The Partnership has conditionally agreed to acquire 27.5 per cent. of the issued share capital and 27.5 per cent. of the shareholder loans (subordinated debt) of and issued by Northern Diabolo (Holdings) S.à r.l. ("**Diabolo HoldCo**"), a company registered in Luxembourg which is the holding company for the Diabolo project. The Project Entity, Northern Diabolo NV, is a company registered in Belgium ("**Diabolo SPV**"). Diabolo HoldCo owns 100 per cent. of the issued share capital in Diabolo SPV, less two shares which are held by Babcock & Brown European Investment S.à r.l. and HSH Nordbank AG.

In addition, the Group has been granted a call option by Babcock & Brown to acquire an additional 10 per cent. of equity and subordinated debt in the Diabolo project exercisable in the six month period after 1 November 2008. The price paid by the Group for the granting of the option together with the exercise price of the option will be in proportion to the price to be paid by the Group for the 27.5 per cent. interest in the equity and subordinated debt in the Diabolo Project proposed to be acquired as part of the C Share Seed Portfolio. The exercise price will be payable in Euros and the Group will therefore take exchange rate risk to the extent it elects to exercise the option, but this exercise is wholly within the Group's discretion.

NHS LIFT PORTFOLIO: INTERESTS IN SUBORDINATED DEBT

The C Share Seed Portfolio includes interests in subordinated debt borrowed to finance the construction of certain projects developed under the NHS LIFT initiative as set out below. The Partnership is one of a number of lenders under the subordinated credit agreement for each project.

Project name	Issuer	Per cent. interest being acquired ¹¹	Status (scheduled completion date)
Brierley Hill	Dudley Infracare LIFT (1) Limited	28.6	Construction (completion due 18 March 2010)
Dunnoch Way and East Oxford LIFT	Oxford Infracare LIFT (1) Limited	27.6	Operational
Fishponds and Hampton House LIFT	Bristol Infracare LIFT (1) Limited	27.6	Operational
Lakeside LIFT	BBG Lift Accommodation Services Limited	49.8	Operational
Mt Vernon	BHH Lift Accommodation Services Limited	49.8	Construction (completion due 1 December 2008)
Ridge Hill and Stourbridge LIFT	Dudley Infracare LIFT (1) Limited	28.6	Operational
Shirehampton and Whitchurch LIFT	Bristol Infracare LIFT (2) Limited	27.6	Operational
Sudbury Health Centre	BHH Lift Accommodation Services Limited	49.8	Operational

¹¹ As a percentage of the principal amount of all subordinated debt in the relevant NHS LIFT project.

FEATURES AND VALUE OF THE C SHARE SEED PORTFOLIO

The C Share Seed Portfolio will be acquired on an arm's length basis. The Company has commissioned PricewaterhouseCoopers LLP ("**PwC**") to prepare an independent report on the valuation of the interests in the Investment Capital constituting the C Share Seed Portfolio. The Valuation of the C Share Seed Portfolio and the Price for the Acquisition has been determined by the Directors taking into account the Valuation Report prepared by PwC who are independent of both the Company and the Investment Adviser. The Directors, based on the advice of the Investment Adviser, are also of the opinion that the methodology used in the Valuation is consistent with current market practice for the valuation by sellers and purchasers of portfolios of similar assets.

The Valuation of the interests constituting the C Share Seed Portfolio is £42 million and the Valuation Report is set out in the Appendix to this Part IV of this Prospectus.

In advising on the Valuation, PwC has acted on behalf of the Company independently from the Investment Adviser and the Vendors. The Company has also been advised by the Investment Adviser in respect of the assessment of the Valuation and the associated legal and commercial due diligence and other work relating to the Acquisition. As a consequence of there being some commonality between the beneficial ownership of the Investment Adviser and some of the Vendors, a detailed set of arrangements and procedures including separate "buyside" and "sellside" committees have been put in place within Babcock & Brown to manage any potential conflict of interest in relation to the Acquisition.

The Valuation has been assessed on the basis of detailed financial projections prepared in respect of the underlying assets taking into account (amongst other things) the amount and timing of cash flows, senior debt costs, project level asset management charges, construction risk and other outgoings including the reserving of sums against future projected liabilities for asset repair and renewal.

C SHARE SEED PORTFOLIO HOLDING STRUCTURES

Following the Acquisition, the Group will hold interests in the Project Entities that form part of the C Share Seed Portfolio consistent with the way the Project Entities in the Existing Portfolio are currently held. The structure by which the Group obtains a return on its investment in the C Share Seed Portfolio will be consistent with the structure for such return which is in place for the Existing Portfolio. Details of the holding structure for and the structure of returns from the Existing Portfolio are described in Part III of this Prospectus.

THE ACQUISITION

Following negotiations between the parties, the General Partner for and on behalf of the Partnership and companies wholly owned by the Partnership (each a "**Buyer**") have entered into a series of Acquisition Agreements on 14 March 2008 for the Acquisition. The Price to be paid for the Acquisition is £40.56 million. Legal and commercial due diligence on the C Share Seed Portfolio on behalf of the Group has been conducted by members of the Buyside Committee of BBIML. Completion of the sale and purchase is conditional upon successful Admission prior to the long-stop date in each Acquisition Agreement. However, each Buyer will have the option (exercisable at its discretion) to complete the sale and purchase of the C Share Seed Portfolio through the use of corporate debt and/or other available cash resources instead of using the Net Issue Proceeds. To the extent that such corporate debt is utilised, the Company intends to apply a portion of the funds obtained from the Issue to repay such corporate debt. The relevant Buyer under each Acquisition Agreement has a reasonable endeavours obligation to achieve Admission, save where, among other things, there occurs a material adverse change in the condition, earnings, business affairs, solvency, credit rating or prospects of the companies in which the relevant Investment Capital are to be acquired between the date of signature ("**AA Signature**") of the relevant Acquisition Agreement and the long stop date for completion of the relevant Agreement. In such circumstance the Buyer would be relieved of the obligation to satisfy the condition relating to Admission. The Acquisition Agreements each have further conditions to completion described in more detail below.

The long stop date in each Acquisition Agreement for achieving Completion is 30 April 2008 subject to any extension agreed between the parties.

CONSENTS

In addition to those consents already obtained to effect the sale and purchase of the Investment Capital comprised in the C Share Seed Portfolio, Babcock & Brown Limited require a waiver from the requirements under Listing Rule 10.1 from the Australian Stock Exchange to permit the Acquisition without having to seek securityholder approval. This has already been applied for and completion of each Acquisition Agreement is conditional on this waiver being received.

In respect of the Brescia Hospital Project, details of the purchaser must be provided to quotaholders and the agent, as representative of the finance parties pursuant to the project documentation, and completion cannot occur within the 10 Business Days following the date such information is sent. This information has already been provided and the Acquisition Agreement provides that completion cannot occur within the relevant 10 Business Day period.

DEFERRED EQUITY

The Price includes an amount equal to the amount that the relevant Vendor (or target company) is obliged to contribute by way of deferred equity in the Diabolo Project (together the “**Deferred Equity Obligations**”). The Deferred Equity Obligations are an aggregate fixed amount of approximately £6.5 million.

At Completion, the relevant Buyer will place an amount equal to the Deferred Equity Obligations in an account operated by the relevant Vendor (or its nominee) (the “**Escrow Account**”). The amounts can only be withdrawn by the relevant Vendor to fund the Deferred Equity Obligations and for certain identified uses, subject to conditions and with the consent of the relevant Buyer. The amounts in the Escrow Account and the Vendor’s obligations in respect of the Escrow Account will be backed by an appropriate parent company guarantee.

WARRANTIES

Each of the Acquisition Agreements contains warranties usual for such transactions covering (*inter alia*) title, authority and capacity of each Vendor, information provided in respect of the projects, such as tax and accounts (where audited accounts have been prepared) and details of the Investment Capital, in each case subject to agreed disclosure. The warranties were given at the date of AA Signature and certain warranties will be repeated at Completion of the relevant Acquisition Agreement.

Claims in relation to the warranties are subject to limitations including the following:

- a time limit of eighteen months from the date of AA Signature for notification of claims followed by service of legal proceedings within six months for non-contingent claims;
- a cap of 10 per cent. of the price payable under the relevant Acquisition Agreement, save in respect of fraud or breach of warranties as to title; and
- *de minimis* and basket level thresholds that must be met before a claim can be made.

Warranties as to title are, in each case, limited to the price payable under the relevant Acquisition Agreement.

Liability under the warranties is also excluded to the extent of the relevant Buyer’s actual knowledge. This is deemed to extend to the knowledge of the directors appointed to the board of each Project Entity by the relevant Vendor. This knowledge imputed on the Buyer is likely to be similar in scope and nature to the knowledge of the relevant Vendor and this will affect the likelihood of a claim where warranties are qualified by awareness.

“BUYSIDE” AND “SELLSIDE” POTENTIAL CONFLICT OF INTEREST AVOIDANCE PROCEDURES

A number of possible potential conflicts of interest arise in relation to the Acquisition. These include that on the “sellside” Babcock & Brown is an existing investor in the C Share Seed Portfolio while BBIML is a subsidiary of Babcock & Brown, and acts on the “buyside” as Investment Adviser and Operator. In connection with the Acquisition of the C Share Seed Portfolio, the procedures as detailed in Part I of this Prospectus (under the heading “Investment Policy”), to ensure that the terms on which the C Share Seed Portfolio is acquired is on an arm’s length basis, have been followed.

The UKLA has confirmed that the Listing Rules treat the acquisition by the Group of investments originated or developed by Babcock & Brown as ordinary course transactions. This is because, *inter alia*, such acquisitions fall within the Company’s stated investment policy and that this policy as described in Part I of this Prospectus (under the heading “Investment Policy”) prescriptively details procedures for such acquisitions (including as to how any conflicts of interest shall be handled). Accordingly, Shareholder approval for the Acquisition will not be sought.

Appendix to Part IV Valuation Report



PricewaterhouseCoopers LLP
1 Embankment Place
London WC2N 6RH

Babcock & Brown Public Partnerships Limited
c/o Heritage International Fund Managers Limited
Polygon Hall, PO Box 225, Le Marchant Street
St Peter Port, Guernsey GY1 4HY

Babcock & Brown Investment Management Limited
15th Floor
5 Aldermanbury Square
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EC2V 7HR

UBS Limited
1 Finsbury Avenue
London
EC2M 2PP

Macquarie Capital (Europe) Limited
CityPoint, 1 Ropemaker Street
London
EC2Y 9HD

17 March 2008

Dear Sirs

Valuation Report

We are writing to provide Babcock & Brown Public Partnerships Limited (the “**Company**”) and Babcock & Brown Investment Management Limited (the “**Adviser**”) our opinion as to a fair market value (the “**Valuation**”) of the interests (the “**C Share Project Stakes**”) in 3 PFI/PPP and 8 LIFT project entities (the “**C Share Projects**”). The details of the C Share Project Stakes are set out within the project tables included on pages 45 and 46 of the prospectus issued by the Company dated 18 March 2008 (the “**Prospectus**”).

This report is also addressed to UBS Limited and Macquarie Capital (Europe) Limited in their capacities as persons who may be found to be responsible or liable for the contents of the whole or part of the Prospectus whether under:

- regulation 6 of the Financial Services and Markets Act 2000 (Official Listing of Securities) Regulations 2001;
- the Prospectus Rules issued by the Financial Services Authority (the “Prospectus Rules”);
- Chapter 8 of the Listing Rules issued by the Financial Services Authority (the “Listing Rules”);
- a common law duty of care to parties who may act in reliance on the Prospectus; or
- responsibilities or liabilities under the law or regulation of any relevant country, whether under statute, common law or otherwise.

Purpose

The Valuation has been provided to the Company, the Adviser, the Sponsor and the Joint Lead Managers, in connection with the proposed acquisition of the C Share Project Stakes, by the Company or its wholly owned subsidiaries following the Company’s proposed issue of “C” shares, (the “**C Shares**”) and the admission to trading of such C Shares on the London Stock Exchange (the “**Issue**”).

In providing the Valuation, PricewaterhouseCoopers LLP is not making any recommendations to any person regarding the Prospectus in whole or in part and is not expressing an opinion on the fairness of the terms of the acquisition or the terms of any investment in the Company.

Responsibility

Save for any responsibility we may have to those persons to whom this report is expressly addressed and save for any responsibility arising under item 5.5.3R(2)(f) of the Prospectus Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, required by and given solely for the purposes of complying with item 23.1 of Annex I to the PD Regulation, consenting to its inclusion in the Prospectus.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Services Authority for designated investment business.

Valuation Basis and Valuation Assumptions

This report sets out our opinion on a fair market value for the C Share Project Stakes, the acquisition of which is expected to take place on or about 21 April 2008, assuming a willing buyer and seller, dealing at arm's length and with equal information.

The Valuation is necessarily based on economic, market and other conditions as in effect on, and the information available to us, as of 14 March 2008 (being the latest practicable date prior to the publication of the Prospectus). It should be understood that subsequent developments may affect our views and that we do not have any obligation to update, revise or reaffirm the views expressed in this report. Specifically it is understood that the Valuation may change as a consequence of changes to (*inter alia*) market conditions, the prospects of the PFI/PPP and LIFT sectors in general or in particular, of the special purpose vehicles (each a "Project Entity") established for the C Share Projects. The Valuation may also change as a consequence of changes in the circumstances described in the risk factors set out on pages 5 to 14 of the Prospectus.

In providing this report, we have relied upon the directors' of the Company (the "Directors") and the Adviser's commercial assessments of a number of issues, including, the markets in which each Project Entity operates and the projected financial information and its underlying assumptions, which were provided by the Company and for which the Directors are wholly responsible. We have also place reliance on the results of independent due diligence advice from the Company and the Project Entity's legal, insurance and technical (including property) advisers.

The Valuation with respect to the C Share Project Stakes have been determined using discounted cash flow methodology, whereby the estimated future equity cash inflows accruing to the C Share Project Stakes have been discounted using discount rates reflecting the risks associated with each C Share Project Stake and the time value of money. The Valuation is based on all estimated future equity cash inflows projected to be received on or after 31st March 2008. In determining the discount rate applicable to each C Share Project Stake, we took into account various factors, including, but not limited to, the stage reached by each project, the period of operation, the historical track record and the terms of the project agreements. Except where the findings of our work have indicated otherwise, we have made the following key assumptions in determining the Valuation:

- The financial model for each Project Entity which was provided by the Company for the purpose of the Valuation, accurately reflects the terms of all agreements relating to the Project Entity and presents a fair and reasonable estimation of future equity cash flows accruing to the C Share Project Stake;
- The accounting policies applied in the financial model for each Project Entity are in accordance with UK, Belgian, Italian or Australian Generally Accepted Accounting Principles (as appropriate);
- The tax treatment applied in the financial model for each Project Entity is in accordance with the applicable tax legislation and does not materially understate the future liability of the Project Entity to pay tax;
- Each Project Entity has legal title to all assets which are assumed in the financial model for that Project Entity and the Project Entity is entitled to receive income assumed to be received in that financial model;
- There are no disputes with parties contracting directly or indirectly with each Project Entity nor any going concern issues, credit issues or performance issues as regards to the contracting parties nor any other contingent liabilities which as at the date of the delivery of this report are expected to give rise to a material adverse effect on the estimated future cash flows of the Project Entity as set out in the relevant project financial model provided to us;
- A proportion of the C Share Project Stakes will be denominated in currencies other than GBP (£ Sterling) so exchange rates of AU\$2.1648:£1 and €1.3003:£1 have been used to convert cash flows in the Australian dollar and Euro denominated projects into £ Sterling. Any cash flows flowing to the Company have been assumed to be payable free of any withholding tax;
- Transaction costs associated with the acquisition have been ignored; and
- Any cash flows forecast as due to the Company will not be restricted by legal or financial restrictions within the underlying Project Entity.

Valuation Opinion

While there is clearly a range of possible values for the C Share Project Stakes and no single figure can be described as a correct valuation for such underlying assets, PricewaterhouseCoopers LLP advises the Company and the Adviser that, based on market conditions on 14 March 2008 (being the latest practicable date prior to the publication of the Prospectus), and on the assumptions stated above, in our opinion a fair market value for the C Share Project Stakes is £42.0 million, which is inclusive of an amount of £6.5 million required to fund deferred obligations in respect of one of the C Share Projects.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus 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 Prospectus in compliance with item 1.2 of Annex I of the PD Regulation.

Yours faithfully



PricewaterhouseCoopers LLP

Part V Management and Administration

DIRECTORS

The Directors, the majority of whom are Independent Directors, will be responsible for the overall management of the Company. The Directors, all of whom are non-executive, are listed below.

Keith Dorrian, (Chairman) aged 61, a resident of Guernsey, is an experienced professional in the banking, finance and fund management industries. A former committee member of the Guernsey Investment Fund Association he was also a director of ANZ Bank (Guernsey) Limited and until his retirement in December 2003, Managing Director of Management International (Guernsey) Limited, the Fund Administration Company of the Bank of Bermuda Group in Guernsey. Prior to retirement he had local responsibility for the Bank's Global Fund Services products with over USD14 billion of assets being administered from Guernsey. Prior to this he was employed by Manufacturers Hanover Trust and First National Bank of Chicago. He holds the Institute of Directors Diploma in Company Direction and holds a number of directorships in listed offshore property funds, funds of hedge funds and hedge funds.

Rupert Dorey, aged 47, a resident of Guernsey, has over 22 years experience in debt capital markets, specialising in credit related products, including derivative instruments. Mr Dorey's expertise is principally in the areas of debt distribution, origination and trading, covering all types of debt from investment grade to high yield and distressed debt. He was at Credit Suisse First Boston for 17 years from 1988 until May 2005, holding a number of positions including fixed income credit product coordinator for European offices and head of UK Credit and Rates Sales. Since leaving CSFB, Mr Dorey is acting in a non-executive directorship capacity for a number of hedge funds, funds of hedge funds and private equity funds.

Giles Frost, aged 45, resident in the United Kingdom, is joint head of the European public infrastructure business unit at Babcock & Brown. He has been employed at Babcock & Brown for eight years and has been involved in the development, investment and management of projects in the public infrastructure sector throughout this time. Prior to joining Babcock & Brown he was a solicitor and partner in the law firm Wilde Sapte (now Denton Wilde Sapte).

Carol Goodwin, aged 64, a resident of Guernsey, has extensive experience in the finance industry and has held senior executive positions with several European and North American banks, managing businesses in London, Toronto, Montreal, Amsterdam, Nassau and Guernsey. During the periods 1994-1996 and 1998-2001 Ms Goodwin held the position of Managing Director of Investec Bank (Channel Islands) Limited and continues to be a director of the bank and several other subsidiary and associated Investec companies. She is also Vice Chairman of another Guernsey bank and serves as a non-executive director for a number of other financial services entities, including a variety of listed and unlisted investment funds. Ms Goodwin is a Fellow of the Institute of Canadian Bankers, a Trust and Estate Practitioner and a Chartered Director of the Institute of Directors.

Further details of the Directors' current and previous directorships are set out in paragraph 6 of Part X of this document.

BABCOCK & BROWN, THE INVESTMENT ADVISER AND THE OPERATOR INTRODUCTION

Babcock & Brown Investment Management Limited ("**BBIML**") is the Investment Adviser to the Company and the Operator of the Partnership. Under the terms of the Limited Partnership Agreement and the Operating Agreement, the Operator manages the Partnership and its assets, subject to compliance with the investment policies and restrictions set out in this document. BBIML is a wholly owned subsidiary of Babcock & Brown. BBIML was incorporated in England and Wales on 14 September 2000 under the Companies Act 1985 (registered number 4071543) and is authorised and regulated in the UK by the Financial Services Authority.

BABCOCK & BROWN

Babcock & Brown has 1435 staff (as at 31 December 2007) and operates from 30 offices worldwide, anchored by administrative hub-offices in Sydney, San Francisco, New York, Munich and London. As at 13 March 2008 the Babcock & Brown group had an equity capitalisation of approximately A\$5.0 billion (Reuters). Headquartered in Australia, Babcock & Brown is a global concern with over two-thirds of its revenue derived from markets outside of Australia. Babcock & Brown has a highly regarded infrastructure and project finance business operating across a diversified range of sectors, including PPPs, renewable fuels, renewable power, conventional power, transportation, and energy distribution and transmission.

The scope of its roles within these activities include:

- Principal investment—project development, greenfield development, equity investment and senior and mezzanine debt provision;
- Investment management—private investment syndication and management of listed and unlisted funds; and
- Advisory—merger and acquisition advisory, project finance advisory, corporate advisory and debt/equity arrangement.

Babcock & Brown focuses on generating attractive returns and developing long-term investment management roles in relation to assets or vehicles acquired or originated. This provides entities (such as members of the Group) which Babcock & Brown group companies advise with new transaction opportunities. As an investment adviser (through BBIML), Babcock & Brown seeks to provide investors with exposure to classes of asset which could not otherwise easily be accessed on the public markets and with the intention of delivering returns that out-perform relevant benchmarks. Other companies and funds in respect of which Babcock & Brown group companies are the investment adviser or manager have in excess of A\$71.7 billion of assets under management as at 31 December 2007.

THE INVESTMENT ADVISER

Under the Investment Advisory Agreement, a subsidiary of Babcock & Brown, BBIML, an investment adviser regulated in the UK by the FSA, has been appointed by the Company as Investment Adviser.

BBIML is resourced in the discharge of its obligations as Investment Adviser and Operator through the secondment and deployment to it of Babcock & Brown Infrastructure Team members.

BBIML's appointment as investment adviser may be terminated in the circumstances detailed in the Investment Advisory Agreement and summarised in paragraph 10.2 of Part X. In such circumstances, Babcock & Brown's permission for the Group to use the Babcock & Brown name and branding will also terminate.

THE OPERATOR

In addition to its role as Investment Adviser to the Company, the Partnership has appointed BBIML as its manager and Operator.

A summary of the terms of the Limited Partnership Agreement is provided in paragraph 10.3 of Part X of this document and a summary of the terms of the Operating Agreement is provided in paragraph 10.4 of Part X of this document. BBIML's appointment as manager and Operator of the Partnership may be terminated in circumstances detailed in the Operating Agreement.

THE INFRASTRUCTURE TEAM

The Babcock & Brown Infrastructure Team has over 465 members of staff located in the UK, Europe, North America, Asia and Australasia.

These employees are dispersed widely giving Babcock & Brown access to global opportunities. Moreover, Babcock & Brown seeks to have a strong local presence in each of the countries in which it operates, and to staff its offices predominantly with citizens or nationals of that country.

The Infrastructure Team is generally engaged in the development, origination, acquisition, sale, improvement and management of infrastructure assets in a number of sub-classes including public and social infrastructure. Babcock & Brown has been an active participant in the UK PPP sector since 1997 and the Australian PPP sector since 2002, and is now active in Italy, Germany, France, Belgium, Ireland, Asia and North America. Babcock & Brown has developed PFI/PPP projects for Public Sector Clients in sectors such as courts, police, education, and government offices. These projects form the basis of the Existing Portfolio and the C Share Seed Portfolio. As such, Babcock & Brown is highly experienced in originating, developing, structuring and arranging PFI/PPP projects, through its extensive industry knowledge, and relationships with key industry participants including design and build contractors and facilities management contractors.

FURTHER INVESTMENTS

In addition to the C Share Seed Portfolio Babcock & Brown has a number of projects under development. In addition Babcock & Brown currently has ongoing bids for a significant number of PFI/PPP and other infrastructure projects. Based on previous success rates, the Directors anticipate that a number of these bids (and future bids) will be successful (although there can be no guarantee of this). Whilst no formal commitment exists on the part of Babcock & Brown to offer these to the Group at any stage, it is anticipated that the Group will be invited in the future to make proposals to acquire assets originated by Babcock & Brown in the public infrastructure sector. Consequently, the Directors believe that Babcock & Brown is well positioned to originate additional investment opportunities for the Group.

Babcock & Brown also has interests in seven NHS LIFT "franchises". These franchises represent an agreement entered into by the local NHS primary care trusts in each area, whereby the trusts have agreed with a Project Entity to give that Project Entity an exclusive right (subject to compliance with certain obligations) to develop and invest in all primary care health facilities procured by that trust over the twenty year term of the agreement. The earliest of these agreements to expire expires in 2023. The Existing Portfolio and the C Share Seed Portfolio includes subordinated debt interests in some of these facilities. Babcock & Brown anticipates a flow of further investment opportunities through the NHS LIFT procurement programme.

PERFORMANCE TO DATE OF THE COMPANY

Since listing on 9 November 2006, the Company has:

- Current market capitalisation of £319.5 million (as at 13 March 2008) and NAV of £330.4 million (as at 31 December 2007);
- Reported a NAV of 110.1 pence (based on a 31 December 2007 valuation), a 7.8 per cent. increase from a NAV of 102.2 pence (based on a 31 December 2006 valuation);
- Paid total distributions of 5.25 pence per Ordinary Share for the 2007 financial year in line with the targets stated in the IPO Prospectus entirely covered by operating cash flow;
- Achieved total shareholder return of 12.7 per cent. as at 13 March 2008;
- As at 13 March 2008 the Ordinary Shares price outperformed the FTSE All Share by 15.2 per cent. since the Initial Public Offer;
- Invested the balance of the Initial Public Offer proceeds following the acquisitions contemplated in the IPO Prospectus within the timeframe indicated at the time of the Initial Public Offer as follows:
 - 100 per cent. interest in the PPP project to design, build, operate and maintain Durham Courthouse in Ontario, Canada;
 - 12.75 per cent. interest in the Reliance Rail PPP project to finance, design, construct, own and maintain rolling stock in New South Wales, Australia;
 - 49 per cent. interest in BeNEX, a joint venture with an entity owned ultimately by the City of Hamburg, which invests in companies owning local rail and bus transportation contracts in Germany;

- An additional 6 million securities in the RiverCity Motorway PPP project to construct and operate a toll road and tunnels in Brisbane, Australia;
 - 100 per cent. interest in the PPP project to design, build, operate and maintain the new criminal courts complex in Dublin, Ireland;
 - 95 per cent. interest in the PPP project to design, build, finance and maintain the Amiens sterilization centre for up to 11 hospitals in Northern France;
 - 25 per cent. interest in the PPP project to design, construct, finance, operate and maintain ten new schools in New South Wales, Australia; and
 - 100 per cent. interest in the PFI/PPP project to construct, maintain and finance a new build school in Maesteg, Wales; and
- Completed a number of management initiatives including the following:
 - Completed construction at the Garland Road Health Centre in Greenwich, London, a project part-financed by way of subordinated debt under the NHS LIFT initiative;
 - Completed construction under the PFI/PPP project to design and construct and provide facilities management at 27 schools in Tower Hamlets, London;
 - Re-priced several facilities management agreements;
 - Pooled insurance contracts resulting in significant reductions in premiums;
 - Completed six sites under the PFI/PPP project to design, construct and finance 30 existing schools and 11 new schools in Northamptonshire, and to provide facilities management at all sites, with the full project on schedule for delivery in 2008; and
 - Achieved no net performance or availability deductions.

INVESTMENT PROCESS FOR FURTHER INVESTMENTS

DUE DILIGENCE PROCEDURES

In considering any future investment opportunities for the Group, members of the Infrastructure Team evaluate the project risks which they believe are material to making an investment decision in relation to additional assets. Where appropriate, they complement their analysis through the use of professional expertise including engineering and/or technical consultants, environmental consultants, accountants, taxation and legal advisers, financial modellers and insurance experts. These advisers may carry out due diligence, which is intended to provide a second and independent review of key aspects of a project providing confidence as to the projects deliverability and likely revenue production. All investment evaluations are expected to be supported by financial modelling utilising sensitivity analyses on key variables including, for example, demand risk and fluctuations in revenue and cost.

In addition, members of the Infrastructure Team carry out other risk assessments, for instance on counterparties, contractors, subcontractors, equity investors, and other parties as appropriate (and having regard to country risk).

INVESTMENT APPROVAL

A structured investment approval process has been adopted to ensure appropriate selection of prospective investments. In particular BBIML as Investment Adviser and Operator, has adopted investment procedures agreed with the Company from time to time which involved the establishment of an investment committee of the Operator (the “**Investment Committee**”) made up of senior Babcock & Brown employees. The Investment Committee reviews prospective new investments and ultimately, independently of Babcock & Brown, approves any acquisition. The Investment Committee considers the suitability of the acquisition in relation to the existing portfolio and its match with the Company’s investment policy. BBIML as Operator has full discretion over acquisitions and disposals although it is the policy of the Operator to consult with the Directors in respect of acquisitions and disposals by the Group and such discretion is subject to the conflict of interest procedures described in Part I of this Prospectus (under the heading “Investment Policy”) where an acquisition or disposal involves Babcock & Brown. It is anticipated that this process will continue to be applied in respect of Further Investments which involve Babcock & Brown.

Where there is a requirement to raise new equity funds whether or not directly related to an acquisition, the Investment Committee makes a recommendation to the Directors to proceed. Raising new money is therefore a decision for the Directors. Cash proceeds of equity raisings will be invested at the discretion of BBIML as Operator in accordance with the Company’s investment strategy and policy and in accordance with the Company’s conflict of interest avoidance procedures detailed in Part I.

INVESTMENT MONITORING

A majority of the projects within the Existing Portfolio and the C Share Seed Portfolio currently benefit from project level asset management from Babcock & Brown group companies. These services are provided at a fixed price linked to inflation under separate contracts and cover the provision of asset management services such as Public Sector Client liaison, invoicing, project monitoring, statutory accounting and bookkeeping. By virtue of the Investment Advisory Agreement and the Operating Agreement, the investment performance of the Investment Portfolio is also actively monitored by BBIML usually through board representation but also through regular dialogue with the key parties involved. Under these arrangements the Group normally receives regular management and annual audited accounts from each Project Entity in which the Group makes an investment as well as management progress reports addressing critical factors such as actual performance against service requirements. These are reviewed by BBIML to determine compliance with agreed targets.

BBIML, as part of the services provided to the Company and the Partnership under the Investment Advisory Agreement and the Operating Agreement, keeps the assets of the Group under review and advises from time to time on actions or strategies that could beneficially be implemented to enhance the returns from the Investment Portfolio.

Part VI Issue Arrangements

THE ISSUE

The Company is targeting a raising of £140 million pursuant to the Issue but has the right to accept subscriptions of up to £210 million. The Issue therefore comprises up to 210 million C Shares to be issued at a price of 100 pence each. Allocations of C Shares under the Issue will be determined at the discretion of the Directors (in consultation with the Joint Lead Managers and BBIML). On the basis that the target issue size of £140 million is reached, it is expected that the Company will receive approximately £137,103,500 after the Issue Costs of approximately £2,896,500 (including Placing Fees).

As at the date of this document, the actual number of C Shares to be subscribed under the Placing and Offer for Subscription is not known. The maximum number of C Shares available under the Issue should not be taken as an indication of the number of C Shares finally to be issued.

The Issue is conditional upon *inter alia*:

- Admission occurring;
- the Issue Agreement having become unconditional in all respects and not having been terminated in accordance with its terms before Admission; and
- not less than 50 million C Shares being subscribed for in aggregate pursuant to the Issue.

If these conditions are not met, the Issue will not proceed. Assuming the above conditions are satisfied, the Issue will proceed regardless of whether the Acquisition Agreements pursuant to which it is intended that the C Share Seed Portfolio will be acquired become unconditional.

THE OFFER FOR SUBSCRIPTION

C Shares are available to the public under the Offer for Subscription. The Offer for Subscription is only being made in the UK but, subject to applicable law, the Company may allot C Shares on a private placement basis to applicants in other jurisdictions. The terms and conditions of application under the Offer for Subscription and an Application Form are set out at the end of this document. These terms and conditions should be read carefully before an application is made. Investors should consult their stockbroker, bank manager, solicitor, accountant or other financial advisor if they are in doubt.

THE PLACING

The Company, the Joint Lead Managers and the Investment Adviser have entered into the Issue Agreement, pursuant to which the Joint Lead Managers have agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers for the C Shares made available in the Placing.

The fees payable to the Joint Lead Managers under the Issue Agreement are detailed in Part I under the heading "Issue Expenses". Further details of the terms of the Issue Agreement are set out in paragraph 10.7 of Part X.

GENERAL

The Issue is not being underwritten and, as a result, will not proceed unless aggregate subscriptions are received which represent a minimum of £50 million (or such other amount as the Company and the Joint Lead Managers may agree). All applications for C Shares will be payable in full.

If subscriptions under the Offer for Subscription and the Placing exceed the maximum number of C Shares available under the Issue, the Directors, in consultation with the Joint Lead Managers and the Investment Adviser, will scale back subscriptions at their discretion. The Placing is not subject to scaling back in favour of the Offer for Subscription and the Offer for Subscription is not subject to scaling back in favour of the Placing.

Subject to those matters upon which the Issue is conditional, the Directors, with the consent of the Joint Lead Managers, may bring forward or postpone the closing date for the Placing and the Offer for Subscription by up to two weeks.

The basis of allocation under the Issue is expected to be announced on 17 April 2008. The basis of allocation shall be determined by the Company after consultation with the Investment Adviser and the Joint Lead Managers. To the extent that the gross proceeds of the Issue at the closing time of the Placing and Offer for Subscription are less than £140 million, the Arranger has committed that it (or another member of Babcock & Brown as it may direct) will subscribe for such number of C Shares under the Issue as will increase the gross proceeds of the Issue to £140 million, subject to a maximum subscription of 8.33 per cent. of the total number of C Shares comprised in the Issue (including the C Shares subscribed by the Arranger or another member of Babcock & Brown as it may direct). Subject to this obligation, the Arranger (or another member of Babcock & Brown as it may direct) may, but is not obliged to, subscribe for up to 8.33 per cent. of the C Shares comprised in the Issue with such subscriptions by the Arranger (or another member of Babcock & Brown as it may direct) ranking behind subscriptions by all other subscribers to the Issue, and being accepted only after such other subscriptions have been satisfied in full.

CREST accounts will be credited on the date of Admission and it is anticipated that, where Shareholders have requested them, certificates in respect of the C Shares to be held in certificated form will be dispatched during the week commencing 21 April 2008. Pending receipt by Shareholders of definitive share certificates, if issued, the Registrar will certify any instruments of transfer against the relevant register of members.

To the extent that any application for subscription is rejected in whole or in part or the Directors determine in their absolute discretion that the Issue should not proceed, monies received will be returned to each relevant applicant at its risk and without interest.

The Net Issue Proceeds will be used for the purpose of acquiring the C Share Seed Portfolio (to the extent that the Acquisition Agreements become unconditional), and, to the extent that third party debt has been incurred by the Group to acquire the C Share Seed Portfolio, repay such debt, and to achieve the investment objectives of the Company as described in Part I of this Prospectus through acquisitions of Further Investments after Admission or discharging third party debt incurred to acquire Further Investments after Admission and meeting other working capital requirements of the Group. The investment activities described in this paragraph are expected to have a positive effect on earnings.

Financial intermediaries who are investing on behalf of clients should make separate applications. Multiple applications or suspected multiple applications on behalf of a single client may be rejected. The International Security Identification Number (ISIN) for the C Shares is GGO0B2PW2P30 and the SEDOL is B2PW2P3.

OVERSEAS INVESTORS

The attention of persons resident outside the UK is drawn to the notices to investors set out at pages 89 to 93 of this document which contains restrictions on the holding of C Shares and Ordinary Shares by such persons. This document does not constitute an offer to sell or an offer to subscribe for or buy C Shares in any jurisdiction in which such offer or solicitation is unlawful.

In particular investors should note that the C Shares and Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Company has not registered, and does not intend to register, as an investment company under the Investment Company Act. Accordingly, the C Shares and Ordinary Shares may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, any US Persons except in a transaction meeting the requirements of an applicable exemption from the registration requirements of the Securities Act.

CREST

CREST is a paperless settlement procedure enabling securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. The Articles permit the holding of C Shares under the CREST system and the Company has applied for the C Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the C Shares following Admission may take place within the CREST system if any Shareholder so wishes (provided that the C Shares are not in certificated form).

CREST is a voluntary system and upon the specific request of a Shareholder, the C Shares of that Shareholder which are being held under the CREST system may be exchanged, in whole or in part, for share certificates.

If a Shareholder or transferee requests C Shares to be issued in certificated form a share certificate will be despatched either to them or their nominated agent (at their own risk) within 21 days of completion of the registration process or transfer, as the case may be, of the C Shares. Shareholders who are non-US Persons holding definitive certificates may elect at a later date to hold their C Shares through CREST in uncertificated form provided they surrender their definitive certificates.

DEALING ARRANGEMENTS

Application has been made for the C Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that such Admission will become effective, and that unconditional dealings in the C Shares will commence at 8:00 a.m. on 22 April 2008.

SETTLEMENT

Payment for the C Shares applied for under the Offer for Subscription should be made in accordance with the instructions contained in the Application Form set out at the end of this Prospectus. Payment for the C Shares to be acquired under the Placing should be made in accordance with settlement instructions provided to investors by the Joint Lead Managers. To the extent that any application or subscription for C Shares is rejected in whole or in part, monies will be returned to the applicant without interest.

ANTI-MONEY LAUNDERING

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK and/or Guernsey, any of the Company and its agents, the Administrator, the Investment Adviser and the Joint Lead Managers may require evidence in connection with any application for C Shares, including further identification of the applicant(s), before any C Shares are issued.

Each of the Company and its agents, the Administrator, the Investment Adviser and the Joint Lead Managers reserve the right to request such information as is necessary to verify the identity of a Shareholder or prospective Shareholder and (if any) the underlying beneficial owner or prospective beneficial owner of a Shareholder's C Shares. In the event of delay or failure by the Shareholder or prospective Shareholder to produce any information required for verification purposes, the Directors, in consultation with the Joint Lead Managers and the Investment Adviser, may refuse to accept a subscription for C Shares, or may refuse to register the transfer of C Shares held by any such Shareholder.

Part VII Terms of the C Shares and Conversion

RIGHTS ATTACHING TO THE C SHARES

The C Shares will be issued at 100 pence per Share and will rank *pari passu* in all respects with each other and each C Share will have the same voting rights as each Existing Ordinary Share. The Net Issue Proceeds and the investments made with them will be managed as a separate pool of assets and liabilities until Conversion.

The C Shareholders are entitled to receive such dividends as the Directors may declare in respect of the C Shares, although the Directors do not intend to declare any dividend in respect of the C Shares prior to Conversion. C Shareholders who do not dispose of the Ordinary Shares issued to them on Conversion will be entitled to any dividends declared and paid in respect of such Ordinary Shares after Conversion. The first such dividend in respect of the Ordinary Shares after Conversion is expected to be declared in respect of the period ending 31 December 2008. The Company's ability to pay dividends will be subject always to the provisions of the Laws.

The C Shares carry voting rights and the consent of C Shareholders as a class will be required in connection with the matters specified in paragraph 9.1, sub-paragraph 6 of Part X of this document. C Shareholders will be entitled to participate in a winding-up of the Company or upon a return of capital as specified in paragraph 9.1 sub-paragraph 3 of Part X of this document.

CONVERSION OF C SHARES

CONVERSION EVENTS

The Net Issue Proceeds and the investments made with them (including the C Share Seed Portfolio and Further Investments funded by utilising the Net Issue Proceeds) will be accounted for and managed as a separate pool of assets and liabilities until Conversion. Conversion will occur no later than 20 Business Days following the Calculation Time, being the earlier of: the date determined by the Directors, on which 80 per cent. of the C Share Assets have been invested in accordance with the Company's investment policy; the Business Day falling six months after the Admission of C Shares; or the last Business Day prior to the occurrence of Force Majeure Circumstances (or when such circumstances are contemplated by the Directors).

BASIS OF CONVERSION

Prior to Conversion, the Existing Ordinary Share portfolio and the C Share portfolio will be valued on the basis set out in Part X of this document before ceasing to be managed as two separate portfolios with effect from Conversion. The C Shares will convert into such number of Ordinary Shares as is determined by the Conversion Ratio (which will be calculated to four decimal places).

The Issue Costs payable by the C Shareholders are expected to be approximately £2,896,500 (excluding any VAT). These costs will be attributed to the C Shares and deducted from the C Share Assets for the purposes of calculating the net assets attributable to the C Shares. No Base Fee will be charged on such part of the Net Issue Proceeds that are not invested or committed to be invested, until such time as the relevant part of the Net Issue Proceeds are invested or committed to be invested. The benefit of the Base Fee not being charged on such part of the Net Issue Proceeds that are not invested or committed to be invested will accrue to the C Shareholders and not to the Existing Ordinary Shareholders and will be reflected in the value of the assets attributable to the C Shares. An accrual in respect of any Base Fee which is due will be made as at the Calculation Time for the purposes of calculating the respective net assets of the C Shares and the Existing Ordinary Shares and thereby the Conversion Ratio. Each of the Directors will be entitled to receive an additional £5,000 in the current financial year for their services in connection with the Issue, such costs to be attributed to the C Shares. The Financial Advisory Fee of 1.5 per cent. of the gross proceeds of the Issue (as reduced by an amount equal to the Acquisition Advisory Fee payable on the Price) together with the Acquisition Advisory Fee is payable by the Company and shall be borne by all C Shareholders and Existing Ordinary Shareholders on a pro rata basis on Conversion.

If arrangements are entered into with creditors of the Group to net off any interest that would be payable by the Group in respect of borrowings incurred to acquire assets that are attributable to the Existing Ordinary Shares against any interest that would otherwise accrue in respect of the relevant part of the Net Issue Proceeds deposited with the relevant creditor, the equivalent amount of the interest so netted off shall be deemed to be a C Share Asset for the purposes of calculating the Conversion Ratio.

Fractions of Ordinary Shares arising on Conversion will not be allocated to C Shareholders but will be aggregated and sold for the benefit of the Company.

The Ordinary Shares arising on Conversion of the C Shares will rank *pari passu* with the Ordinary Shares then in issue and will have the rights set out in the Company's Articles of Association which are summarised in Part X of this document.

CONVERSION EXAMPLE

The following example illustrates the basis on which the number of Ordinary Shares arising on Conversion will be calculated. Full details of the method of Conversion are set out in Part X of this document. The example is not, and is not intended to be, a forecast of the number of Ordinary Shares which will arise on Conversion. The example illustrates the number of Ordinary Shares which would arise on the Conversion of 1,000 C Shares held at the Conversion Date, using an assumed net asset value per Share attributable to the C Shares and Ordinary Shares in issue at the Calculation Time. The assumed net asset value attributable to an Ordinary Share is the net asset value per Existing Ordinary Share as at 31 December 2007 (the latest date for which the net asset value has been published). The assumed net asset value attributable to each C Share is on the basis that there are no returns on the Net Issue Proceeds to the Calculation Time. The assumed net asset values of the C Shares and the Existing Ordinary Shares excludes any accrual in respect of the Financial Advisory Fee and the Acquisition Advisory Fee payable by the Company on Conversion.

	Example
Number of C Shares subscribed	1,000
Amount subscribed	£1,000
Net asset value attributable to a C Share at the Calculation Time	0.98
Net asset value attributable to an Ordinary Share at the Calculation Time	£1.101
Conversion Ratio	0.8901
Number of Ordinary Shares arising on Conversion	890

DETAILS OF THE C SHARES

The provisions of the Company's Articles of Association which describe the rights attaching to the C Shares including the basis on which they convert into Ordinary Shares are reproduced in full in paragraph 9 of Part X of this Prospectus.

Part VIII Taxation

INTRODUCTION

The following paragraphs, which are intended as a general guide only, summarise the tax treatment of the Group and certain types of investors. This has been provided for general information purposes only and does not address every potential tax consequence that might be relevant to the Group or particular investors. It applies, unless otherwise stated, only to the Group and companies within the Group. This summary is based on the law as at the date of this document and published practice of certain tax authorities and is therefore subject to change, possibly retrospectively.

If Shareholders or prospective Shareholders are in any doubt as to their tax position they should consult their own professional adviser without delay.

THE GROUP

GUERNSEY TAXATION

The Company

In response to the review carried out by the European Union Code of Conduct Group, the Policy Council of the States of Guernsey has passed proposals abolishing exempt status for the majority of companies with effect from 1 January 2008 and introduced a zero rate of tax for companies carrying on all but a few specified types of regulated business and property development businesses. Although this legislation, still requires approval by the Privy Council, under UK GAAP and IFRS the new tax rates can be regarded as having been substantively enacted.

The States of Guernsey Administrator of Income Tax has advised that because collective investment schemes ("**CIS**"), and similar closed ended investment vehicles that would include the Company, were not one of the regimes in Guernsey that were classified by the EU Code of Conduct Group as being harmful, these entities will continue to be able to apply for exempt status for Guernsey tax purposes after 31 December 2007 and if they choose to apply for exempt status will continue to be liable to the £600 annual exempt fee.

Payments of dividends and interest by a company that has exempt status for Guernsey tax purposes are regarded as having their source outside Guernsey and hence are payable without deduction of tax in Guernsey.

As a publicly available fund, the Company qualifies as a Category B Investment Scheme under The Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989, therefore the company is eligible to continue to apply for exempt status. Alternatively, if the company chooses not to apply for exempt status, the company will be taxable at the standard rate of 0%. However, it is understood that the Company will continue to apply for exempt status.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time. Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax), gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration.

Document duty is payable on the creation or increase of authorized share capital at the rate of one half of one per cent. of the nominal value of the authorized share capital of a company incorporated in Guernsey, such as the Company, up to a maximum of £5,000 in the lifetime of a company. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of shares.

EU Savings Directive

Guernsey has introduced measures that are the same as the EU Savings Tax Directive ("**Directive**"). Under the Directive, income derived from Undertakings for Collective Investment in Transferable Securities or "UCITS" funds and undertakings for collective investment established outside the EU are potentially caught within the Directive. The Guernsey government has issued guidance which states that only Class A funds established in Guernsey should be within scope of the Directive. All other funds are regarded as out of scope. Accordingly, paying agents are not required to operate the measures on distributions made to shareholders by companies established in Guernsey that are not Class A funds. On the basis the Company is not a Class A fund, it should therefore not be subject to the Directive.

The Shareholders

A Bailiwick of Guernsey resident individual investor in a Category B Investment Scheme that has elected to apply for exempt status will be taxed only on actual distributions made to him. Such investors will not be taxed on the underlying investment income nor on any deemed distributions where the company is exempt, whereas they may be taxed on this income if they invest in a company which is resident but pays tax at 0%.

If the Company were to decide not to apply for exempt status, the Company will be required to deduct or account for tax at the difference between the tax suffered by the company and the shareholders' individual rate of 20% in respect of actual dividends and deemed distributions and pay that tax to the Administrator of Income Tax, on behalf of any Guernsey resident individual shareholders. Tax paid by the Company in respect of deemed distributions is accounted for as a debit balance on the shareholders' loan accounts.

Deemed distributions include investment income as it arises and any undistributed trading income of a company if a trigger event, such as death, sale of shares, migration of company/Guernsey resident shareholder, should occur. No deductions need to be made in respect of distributions made from income that arose before 1 January 2008.

Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of any Ordinary Shares owned by them.

Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No Guernsey or UK stamp duty or SDRT will be payable on the issue of the C Shares or the Ordinary Shares. In the event of the death of an individual Shareholder, a Guernsey grant of probate or administration may be required in respect of which certain fees will be payable to the Ecclesiastical Court in Guernsey.

LUXEMBOURG TAXATION

The directors of Luxco 1 and Luxco 2 (individually a "Luxco" and together the "Luxcos") intend to manage the companies so that they will be fully taxable companies resident for tax purposes only in Luxembourg, established in the form of a S.à r.l. The Directors intend to manage affairs such that any tax burden in the Luxcos is minimised. In addition they will seek to ensure that the holdings in the subsidiaries qualify for the Luxembourg participation exemption such that dividend income and capital gains generated from such holdings are exempt from Luxembourg corporate income tax.

Transparency of Partnership

The Partnership will be treated as fiscally transparent for Luxembourg tax purposes and therefore Luxco 2 is beneficially entitled to the income and capital arising from the Project Entities (after first deducting any amounts apportioned to the General Partner under the terms of the Limited Partnership Agreement).

Financing Margin

The Luxcos' interest income will be fully taxable in Luxembourg. Interest expense is fully deductible for tax purposes subject to an appropriate arm's length margin on the financing activity being taxable in Luxembourg.

Withholding Tax

The Directors intend to manage the affairs of the Group such that withholding taxes that may arise between the Partnership and Luxco 2 or Luxco 1 and the Company are eliminated to the extent possible. It is not expected that Luxco 1 will pay dividends to the Company, however in the event that dividends are paid they will be subject to 15 per cent. withholding tax.

Net Worth Tax

Net worth tax of 0.5 per cent. on the Luxcos worldwide net worth is payable annually. However, the Directors consider that the amount charged should be nominal on the basis that the assets that are assessed for net worth tax exclude equity funded shares in subsidiaries provided that they qualify for the participation exemption (debts to finance such qualifying participations however not being deductible for net worth tax purposes).

Capital Duty

Capital duty of 0.5 per cent. is charged on the contribution of capital to the Luxcos although the Directors of each Luxco aim to minimise capital duty where ever possible. It is expected that the capital duty rate of 0.5% will be further (progressively) reduced to nil by 2010, but this is yet to be confirmed.

UNITED KINGDOM TAXATION

Taxation of Partnership

The General Partner and the Operator intend to conduct the business of the Partnership so that for United Kingdom tax purposes the Partnership is not regarded as carrying on a trade in the United Kingdom. On the basis that the Partnership is a fiscally transparent entity for tax purposes which is not carrying on a trade in the UK, LuxCo 2 will not be subject to UK tax on its share of the Partnership profits.

UK Project Entities

The UK Project Entities will be subject to UK corporation tax, currently at a rate of 30 per cent. on their taxable income. This rate will reduce to 28% on 1 April 2008. The Luxco 2 should be entitled to receive dividend and interest income from the UK and other EU project subsidiaries, without tax being withheld at source, subject to the provisions of the EU Parent Subsidiary Directive and the EU Interest and Royalties Directive and local country rules.

AUSTRALIAN TAXATION

Australian withholding tax

Generally, distributions paid from Australian Project Entities may be subject to Australian tax by assessment or withholding, with the rate of tax dependent on the type and tax profile of the Project Entity and also the ownership percentage held in that investment.

Generally for dividends paid to the UK by Australian companies, or entities treated as companies, there will be no Australian withholding tax on franked dividends whereas unfranked dividends are subject to Australian withholding tax of 15 per cent., which may be reduced to 5 per cent. or 0 per cent. in certain circumstances. It is anticipated that the reduced rates of 0 per cent. and 5 per cent. should apply in most instances.

Australian Project Entities

The Australian Project Entities will be held by a UK holding company, BBPP (Aust) Limited, which is a company wholly owned by the Partnership. BBPP (Aust) Limited will be subject to UK corporation tax, currently at a rate of 30 per cent. (reducing to 28 per cent.

from 1 April 2008) on its taxable profits. UK tax credits should be available for overseas tax suffered on dividends received from the Australian Project Entities where BBPP (Aust) Limited holds more than 10 per cent. of the shares in the Australian Project Entities.

OTHER EU AND CANADIAN TAXATION

The Group includes Project Entities established, in addition to those in the Australia and the UK, in France, Belgium, Germany, Ireland and Canada.

Generally, distributions paid from these other EU and Canadian Project Entities may be subject to domestic tax in their own jurisdiction by assessment or withholding, with the rate of tax dependent on the type and tax profile of the Project Entity and also the ownership percentage held in that investment.

The interests in the other EU and Canadian Project Entities are either held by Luxembourg S.à r.l.s that are wholly owned by the Partnership or the interests are held by the Partnership directly.

In general, dividends and interest paid from the other EU Project Entities to a Luxembourg S.à r.l., or to Luxco 2 via the Partnership, should be entitled to receive dividend and interest income without tax being withheld at source, subject to the provisions of the EU Parent Subsidiary Directive and the EU Interest and Royalties Directive and local country rules.

For dividends and interest paid by Canadian Project Entities to Luxembourg, reduced rates of withholding tax under the tax treaty between Canada and Luxembourg are available and it is anticipated that treaty withholding tax rates of 10% on interest and 5% on dividends should apply on payments of dividends and interest from Canada to Luxembourg in most circumstances.

TAXATION OF INVESTORS IN THE COMPANY

The following is a summary of the United Kingdom tax considerations relevant to investors in the Company. The summary is based on current UK tax legislation and HM Revenue & Customs practice which may be subject to change, with or without retrospective effect. These considerations may not apply to certain categories of investors, such as dealers. If Shareholders are in any doubt as to their tax position or if they are subject to tax in any jurisdiction other than the UK, they should consult an appropriate professional adviser immediately. Shareholders should rely only upon advice received from their own tax advisors based upon their own individual circumstances and the laws applicable to them.

GENERAL

The Company is a closed-ended company incorporated in Guernsey and therefore the Company should not at the date of the Placing be a “collective investment scheme” as defined in FSMA. Accordingly the provisions of sections 756A to 764 of the Taxes Act should not apply. For so long as the Company is not a collective investment scheme, any disposal of C Shares or Ordinary Shares by a Shareholder may give rise to a chargeable gain for UK tax purposes.

The following comments only apply to Shareholders who hold their interest in the Company for investment purposes.

Disposal of Shares

UK resident shareholders

A disposal of C Shares or Ordinary Shares by a Shareholder who is (at any time in the relevant United Kingdom tax year or, as the case may be, accounting period) resident or, in the case of an individual, ordinarily resident in the United Kingdom for tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation on chargeable gains, depending on the Shareholder's circumstances and subject to any available exemption or relief.

Gains realised by UK resident individual Shareholders who are not domiciled in the UK will be subject to tax on the remittance basis.

Non-UK resident shareholders

A Shareholder who is not resident nor, in the case of an individual, ordinarily resident in the United Kingdom for UK taxation purposes and whose C Shares or Ordinary Shares are not attributable to a trade, profession or vocation carried on in the UK through a branch or agency (or permanent establishment) will not be subject to UK tax on any gains realised on a disposal of C Shares or Ordinary Shares (save as mentioned below in relation to temporarily non UK resident individuals).

Temporary non-UK resident shareholders

A Shareholder who is an individual who has ceased to be resident or ordinarily resident in the UK for tax purpose for a period of less than five years of assessment and who disposes of C Shares or Ordinary Shares during that period may also be liable, on his return to the UK, to UK taxation on any chargeable gains subject to any available exemption or relief.

Taxation of Distributions

Dividends

Subject to their personal circumstances, Shareholders resident in the UK for taxation purposes will be liable to United Kingdom income tax or corporation tax on the gross amount of the dividends received. Dividends received by such Shareholders who are within the charge to UK corporation tax will generally be taxed at the prevailing UK corporate tax rate. A Shareholder who is an individual will generally be chargeable to United Kingdom income tax on dividends received from the Company at the dividend ordinary rate (currently 10 per cent. or, to the extent that the amount of the gross dividend when treated as the top slice of his or her income exceeds the threshold for the higher rate tax, at the dividend upper rate (currently 32.5 per cent.).

UK resident individual Shareholders who are not domiciled in the UK or are resident but not ordinarily resident in the UK will be subject to UK income tax on such dividends on a remittance basis.

Capital Distributions

Where a UK resident shareholder receives a capital distribution this will be treated as a part disposal of their holding. The capital gain or loss is calculated as proceeds less proportional base cost calculated under the part disposal rules subject to any available exemption or relief.

Stamp duty and stamp duty reserve tax ("SDRT")

The following comments are intended as a guide to the general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

UK stamp duty (at the rate of 0.5 per cent. of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the C Shares or the Ordinary Shares executed within the UK or, in certain circumstances, on an instrument which is executed offshore but later has to be relied on in the UK. However, for instances where non-UK shares are being transferred stamp duty should not be payable if the instrument of transfer is executed and retained outside the UK, the consideration for the transfer does not include UK property (e.g. cash credited to a UK bank account) and the transfer instrument does not relate to a matter or thing done or to be done in the UK (e.g. an obligation is performed in the UK) or if there is no instrument of transfer because the transfer is settled electronically via CREST.

Broadly SDRT is payable at 0.5% of the consideration provided and applies to agreements to transfer chargeable securities (shares issued or registered in the UK).

Other United Kingdom Tax considerations

The Directors have been advised that the Company should not be an offshore fund for the purposes of United Kingdom taxation. However, should the Company become an offshore fund for the purposes of United Kingdom taxation as a result of changes in current UK tax law and/or practice, this will, compared to current UK tax law and practice, have adverse tax consequences for UK taxable Shareholders.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Sections 739-745 of the Taxes Act. These contain anti-avoidance provisions dealing with the transfer of assets to overseas persons in circumstances which may render such individuals liable to taxation in respect of undistributed profits of the Company.

Individuals holding C Shares or Ordinary Shares should not expect to qualify for business asset taper relief in relation to those C Shares or Ordinary Shares, as the Company is not expected to qualify as the holding company of a trading group. In any case, for disposals after 6 April 2008 taper relief will be abolished for all asset types, including on assets already held at this date.

The Taxes Act contains provisions which subject certain UK resident companies to corporation tax on profits of companies not so resident in which they have an interest. The provisions may affect UK resident companies which are deemed to be interested (together with any connected or associated companies) in at least 25 per cent. of the profits of the non-resident company which is controlled or deemed to be controlled by residents of the UK, which does not distribute substantially all of its income and which is resident in a low tax jurisdiction. The legislation is not directed towards the taxation of chargeable gains.

It is anticipated that the shareholdings in the Company will be such as to ensure that the Company would not be a close company if resident in the UK. If, however the Company were to be close if resident in the UK, then in accordance with Section 13 TCGA 1992, part of any chargeable gains accruing to the Company or the Luxcos may be apportioned to certain UK residents or in the case of an individual, ordinarily resident Shareholders. The Shareholder may thereby become chargeable to capital gains tax or corporation tax on chargeable gains on the gains apportioned to them subject to any available exemption or relief.

HMRC recently issued a discussion paper concerning the reform of the foreign profits of UK companies. A consultation document is expected in 2008 and changes in legislation are expected in 2009.

Non-UK investors

Individuals or corporate Shareholders who are resident for tax purposes in jurisdictions other than the UK will be taxed according to the rules of that jurisdiction and should seek their own professional advice.

Life Companies

The following paragraphs are intended as general comments on the UK taxation of a UK resident proprietary life assurance company investor in the Company and may not be relevant to all life assurance companies. Hence each life assurance company should obtain its own separate advice. The comments assume that the life assurance company's interest in the Company is held

as an investment of its long-term insurance fund, that the company writes basic life and general annuity business (“**BLAGAB**”) and pension business, and that the company is taxed on the “I minus E” basis. The comments also assume that the life company’s interest in the Company does not constitute a relevant interest in an offshore fund for the purposes of Section 212 TCGA 1992.

Dividend Distributions and Disposals of Shares

To the extent that the dividends and chargeable gains on the disposal of the Shares are referable to BLAGAB they will be included in the life company’s I minus E computation and will generally be taxed at a rate of between 20 and 30 per cent., with the precise rate applicable depending upon the particular circumstances of the life company.

To the extent that the dividends and chargeable gains are referable to pension business, they should not be taxable directly in the I minus E computation. Investment return attributable to the Shares may, however, be taken into account in determining the taxable profit arising to the company from writing the pension business.

ISAs, PEPs and SIPPs

It is expected that the C Shares will be eligible for inclusion in PEPs and ISAs (subject to applicable subscription limits) provided that they have been acquired through the Offer for Subscription (but not any C Shares acquired directly under the Placing) and that they will be permissible assets for SIPPs.

Part IX Financial Information

DOCUMENTS INCORPORATED BY REFERENCE

The annual report and financial statements of the Group for the period ended 31 December 2006 and the year ended 31 December 2007 as have been published contain the audited consolidated financial statements of the Group for the relevant financial period together with the audit report by the Auditors thereon. The following annual reports and financial statements of the Group are incorporated by reference into this Prospectus which should be read and construed in conjunction with such documents, except for documents incorporated by reference therein:

- Annual report and financial statements of the Group for the period ended 31 December 2006; and
- Annual report and financial statements of the Group for the year ended 31 December 2007.

Copies of these documents which are deemed incorporated herein are available as provided in paragraph 12.14 of Part X of this Prospectus.

SIGNIFICANT CHANGE

Save as disclosed below, there has been no significant change in the financial or trading position of the Group since 31 December 2007, being the end of the last financial period for which audited information has been published.

On 2 January 2008 the Company made the final payment in respect of the acquisition by the Group of a 49 per cent. shareholding in BeNEX GmbH.

On 31 January 2008, in accordance with the terms of the relevant acquisition agreements, the Group completed the acquisition of: Babcock & Brown Development Investments Limited, an entity holding 100 per cent. of the equity in Maesteg schools project; and 37.5 per cent. of the equity in Diabolo Holdings Limited, the holding entity for the Diabolo project.

The quantum of these events resulted in a reduction in the cash available for investment of £45.7 million which was fully in line with the Directors' expectations.

Part X Additional Information

1. THE COMPANY

- 1.1 The Company was incorporated as a limited liability company in Guernsey under the Laws on 2 August 2006 with registered number 45241.
- 1.2 The registered office of the Company is Polygon Hall, PO Box 225, Le Marchant Street St Peter Port, Guernsey GY 4HY (telephone: +44 1481 716 000). The Company operates under the Laws and the ordinances and regulations made thereunder.
- 1.3 Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1989 for the raising of monies by the issue of C Shares has been obtained. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.
- 1.4 The Company's accounting periods terminate on 31 December of each year.
- 1.5 Changes in the authorised and issued share capital of the Company since incorporation are as summarised in paragraph 2 of this Part X of this document.
- 1.6 On 27 September 2006 the Company's shareholders resolved to change the name of the Company from "Babcock and Brown Public Partnerships Limited" to "Babcock & Brown Public Partnerships Limited". This change of name was approved by the Court on 6 October 2006.

2. FINANCIAL INFORMATION ON THE COMPANY

SHARE CAPITAL

- 2.1 The Company was incorporated with an authorised share capital of £100,000 divided into 1,000,000,000 unclassified shares of 0.01 pence each. The unclassified shares may be issued as, amongst other things, Ordinary Shares, as C Shares (in the circumstances described in paragraph 9 of this Part X) or otherwise on such terms and conditions as the Directors may from time to time determine.
- 2.2 Two Ordinary Shares issued were issued for the purposes of incorporation to the subscribers to the Memorandum of Association. Both such Ordinary Shares were transferred to Babcock & Brown on admission of the Ordinary Shares to the Official List.
- 2.3 On 9 October 2006, the shareholders of the Company passed a special resolution in writing:
 - (a) authorising the Company to make market purchases (within the meaning of section 5 of the Companies (Purchase of Own Shares) Ordinance 1998) of the Ordinary Shares; and
 - (b) cancelling the amount standing to the credit of the share premium account of the Company, conditional on the confirmation of the Court and upon the Initial Public Offer issue agreement becoming unconditional, and crediting an equivalent amount to a distributable reserve as described in paragraph 2.6 below.
- 2.4 The Company issued 299,999,998 unclassified shares as Existing Ordinary Shares on 9 November 2006.
- 2.5 In accordance with the power granted to the Board by the Articles, it is expected that 210,000,000 unclassified shares (assuming the maximum size of the Issue is reached) or such lesser number of unclassified shares equal to the actual size of the Issue will be issued as C Shares and allotted pursuant to a resolution of the Board to be passed prior to and conditional upon Admission.
- 2.6 On 9 October 2006, the Company passed a special resolution to reduce the share capital of the Company by cancelling the whole amount standing to the credit of the share premium account following completion of the issue of the Existing Ordinary Shares pursuant to the Initial Public Offer (less any issue expenses set off against that account) and to credit an equivalent amount to the Company's distributable reserves. The reserve created on such cancellation was made available as a distributable reserve to be used for all purposes permitted by the Laws, including the buy-back of Ordinary Shares and the payment of distributions. This resolution was subsequently confirmed by the Court in accordance with the Laws on 19 January 2007.
- 2.7 There are no statutory provisions under Guernsey law which confer rights of pre-emption in respect of the allotment of any class of shares and neither the allotment of C Shares, nor the creation of Ordinary Shares upon Conversion, will occur on a pre-emptive basis. Allotments of Ordinary Shares will be subject to the pre-emption provisions in the Company's Articles—see further paragraph 9.11 of this Part X below.
- 2.8 Other than in respect of the allocation of up to 8.33 per cent. of the C Shares comprised in the Issue to the Arranger or to another member of Babcock & Brown (which is subject to scaling back as further detailed in Part VI of this Prospectus), no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

- 2.9 The authorised share capital and the maximum issued share capital of the Company (all of which will be fully paid) immediately following the Issue (assuming the maximum size of the Issue is reached) will be as follows:

	Authorised No. of Shares	Nominal (£)	Issued No. of Shares	Nominal (£)
Ordinary Shares	300,000,000	30,000	300,000,000	30,000
C Shares	210,000,000	21,000	210,000,000	21,000
Unclassified Shares	490,000,000	49,000	0	0

- 2.10 Save as disclosed in this Part X and pursuant to the Issue, 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, either 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 or sale of any such capital.
- 2.11 All of the C Shares and the Ordinary Shares issued pursuant to Conversion will be in registered form and eligible for settlement in CREST. Temporary documents of title will not be issued.
- 2.12 The Net Issue Proceeds will be used to pay the Price for the Acquisition of the C Share Seed Portfolio and Acquisition costs referred to on pages 26 and 27 of this Prospectus including a portion of the Arranger's Acquisition Advisory Fee borne by C Shareholders or to discharge debt incurred by the Group in connection with the acquisition of the C Share Seed Portfolio, and the balance will be invested in accordance with the Company's investment objectives and policies to acquire Further Investments after Admission or to discharge debt incurred by the Group in connection with the acquisition of Further Investments after Admission. Had the Issue been effected as at 31 December 2007 (the date as at which the most recent audited accounts of the Company that are incorporated by reference in this Prospectus were prepared), the effect of the Issue on the assets and liabilities of the Company shown in the balance sheet would be an additional cash holding of £137,103,500 (reflecting the Net Issue Proceeds).

WORKING CAPITAL AND INDEBTEDNESS

- 2.13 Taking into account minimum gross proceeds of £50 million, the Company is of the opinion that the Group has sufficient working capital for its present requirements, that is for 12 months from the date of this document.
- 2.14 The Company has the power to borrow – details are set out under the heading "Investment Policy" in Part I of this Prospectus.
- 2.15 **Total debt and equity**

The following table shows the indebtedness of the Company (distinguishing between secured and unsecured indebtedness) as at 31 December 2007 (being the last date in respect of which the Company has published audited financial statements).

Current debt	Recourse	Non-recourse	Total
	£'000	£'000	£'000
Guaranteed	0	0	0
Secured ¹	0	35,311	35,311
Unguaranteed / unsecured	0	0	0
Total Current Debt	0	35,311	35,311
Non-current debt	Recourse	Non-recourse	Total
	£'000	£'000	£'000
Guaranteed	0	0	0
Secured ¹	0	483,545	483,545
Unguaranteed / unsecured	0	0	0
Total Non-Current Debt	0	483,545	483,545
TOTAL	0	518,856	518,856

¹ All existing funding is project specific PFI/PPP style funding that is non recourse in nature and is secured by lending agreements that are contained within the individual project companies.

The following table shows the capitalisation of the Company as at 31 December 2007 (being the last date in respect of which the Company has published audited financial statements).

Shareholders' equity²	Recourse	Non-recourse	Total
	£'000	£'000	£'000
Share capital	30	0	30
Other distributable reserves	293,506	0	293,506
TOTAL	293,536	0	293,536

2 In accordance with CESR guidance the Company's revenue reserve has been excluded from Shareholders' equity.

Save as disclosed in Part IX of this Prospectus there has been no material change in the capitalisation and indebtedness of the Company since 31 December 2007 (being the last date in respect of which the Company has published audited financial statements).

2.16 Net indebtedness

The following table shows the Group's net indebtedness (excluding accruals) as at 31 December 2007 (being the last date in respect of which the Company has published audited financial statements):

	Corporate debt	Non-recourse debt	Total
	£'000s	£'000s	£'000s
A. Cash	£ 83,551	£ 150,934	£ 234,485
B. Cash equivalent	£ 0	£ 0	£ 0
C. Trading securities	£ 0	£ 0	£ 0
D. Liquidity (A) + (B) + (C)	£ 83,551	£ 150,934	£ 234,485
E. Current financial receivables	£ 0	£ 0	£ 0
F. Current bank debt	£ 0	£ 35,311	£ 35,311
G. Current portion of non-current debt	£ 0	£ 0	£ 0
H. Other current financial debt	£ 0	£ 0	£ 0
I. Current financial debt (F) + (G) + (H)	£ 0	£ 35,311	£ 35,311
J. Net current financial indebtedness (I)-(E)-(D)	£(83,551)	£(115,623)	£(199,174)
K. Non current bank loans	£ 0	£ 483,545	£ 483,545
L. Bonds issued	£ 0	£ 0	£ 0
M. Other non current loans	£ 0	£ 0	£ 0
N. Non current financial indebtedness (K) + (L) + (M)	£ 0	£ 483,545	£ 483,545
O. Net financial indebtedness (J) + (N)	£(83,551)	£ 367,922	£ 284,371

2.17 Deloitte & Touche LLP is the Auditor of the Company. The annual report and accounts are prepared according to standards laid out under IFRS.

3. HOLDING ENTITIES: LUXCOS

As explained in Part I of this document under the heading “Group Structure” the Company holds its assets through two Luxembourg companies, each being a “société à responsabilité limitée” (“S.à r.l.”) (broadly the equivalent of a private company), and each qualifying as a SOPARFI. The status of SOPARFI is relevant for the tax treatment of the investment structure. Luxco 2 is the sole limited partner in the Partnership.

4. THE PARTNERSHIP

- 4.1 The Partnership was registered on 26 September 2006 as a limited partnership under the Limited Partnerships Act 1907 of England with the name Babcock & Brown Public Partnerships Limited Partnership with registered number LP11596. The principal place of business of the Partnership is at 15th Floor, 5 Aldermanbury Square, London, EC2V 7HR. The Partnership is governed by the Limited Partnership Agreement dated 10 October 2006 between Babcock & Brown Public Partnerships GP Limited (a wholly owned special purpose subsidiary of Babcock & Brown Investment Holdings Pty Limited and as such a Babcock & Brown group company) as general partner and Luxco 2 as limited partner. Babcock & Brown Investment Management Limited has been appointed as Operator by the Operating Agreement dated 10 October 2006. The management and operation of the Partnership on the intended basis may amount to the regulated activity of operating a collective investment scheme under UK legislation. In order to lawfully carry on a regulated activity in the UK a person must be authorised by the FSA to carry on the activity in question unless an exemption applies. As such BBIML, which has been authorised by the FSA, to carry on, amongst other things, the regulated activity of operating a collective investment scheme, has been appointed as Operator to manage and operate the Partnership.
- 4.2 Under the Limited Partnership Agreement, the General Partner has full discretion to acquire, dispose of and manage the assets of the Partnership subject to investment guidelines which reflect the investment strategy, policy and restrictions applying to the Company as set out in this document (or to appoint on behalf of the Partnership a person that is authorised by the FSA to so manage the assets of the Partnership). The General Partner (or any Operator appointed by the Partnership) may effect borrowings for the Partnership within limits to be prescribed by the limited partner.
- 4.3 The Limited Partnership Agreement provides that the General Partner will not be liable for its losses incurred by the Partnership in the absence of gross negligence, fraud, gross professional misconduct, wilful default, wilful illegal act or any conscious and material breach of its obligations under the Limited Partnership Agreement. The General Partner and its agents and employees are entitled to be indemnified out of the Partnership assets against claims, costs, damages or expenses incurred or threatened by reason of their acting as such, subject to the same exceptions.
- 4.4 Under the Limited Partnership Agreement, the General Partner is entitled to distributions equal to the Base Fee and Incentive Fee save that any such distributions to the General Partner under the Limited Partnership Agreement shall be offset against any payments in respect of the Base Fee and Incentive Fee to the Investment Adviser pursuant to the Investment Advisory Agreement. The General Partner is also entitled to an amount as agreed between Luxco 2 (as limited partner) and the General Partner as being the sum spent on the General Partner's or the Operator's corporate overheads incurred in providing services in respect of the Group (including employee costs, office rental and IT software and hardware).
- 4.5 The General Partner can be removed and replaced in certain circumstances such as the material breach of its obligations under the Limited Partnership Agreement, insolvency (or analogous event) (subject to replacement by a similarly constituted Babcock & Brown group company that is not insolvent or subject to any analogous event) or if the Investment Advisory Agreement or Operating Agreement is terminated. On the retirement or replacement of BBIML as Investment Adviser and/or Operator, the General Partner can be required to continue as general partner of the Partnership, save that the General Partner's powers will be limited to appointing a replacement operator on such terms to be approved by Luxco 2, and the General Partner shall not be entitled to any remuneration for so acting. The terms upon which the Investment Advisory Agreement and Operating Agreement can be terminated and BBIML removed as Investment Adviser and Operator are described at paragraphs 10.2 and 10.4 of this Part X.
- 4.6 At the time of the Acquisition, Luxco 2 will remain the sole limited partner in the Partnership and Luxco 2 will fund the Partnerships obligations under the Acquisition Agreements.

5. DIRECTORS' AND OTHER INTERESTS

- 5.1 The Directors shall be remunerated for their services at such rate as the Directors shall from time to time determine. The aggregate remuneration and benefits in kind of the Directors in respect of the Company's accounting period ending on 31 December 2007 which was paid out of the assets of the Company was £101,588. Each of the Directors receives a Director's fee of £25,000 per annum save for the Chairman who receives £30,000 per annum. Each of the Directors will be entitled to receive an additional £5,000 in the current financial year for their services in connection with the Issue. No Director of the Company has waived or agreed to waive future emoluments nor has any Director waived any such emolument during the current financial year. While Giles Frost is an employee of Babcock & Brown his Director's emoluments will be paid to Babcock & Brown. No commissions or performance related payments have been or will be made to the Directors by the Company. The aggregate remuneration of the Directors shall not exceed £125,000 per annum (or such other sum as the Company in general meeting shall determine).
- 5.2 No Director has a service contract with the Company, nor are any such contracts proposed. Keith Dorrian, Rupert Dorey and Giles Frost were appointed as non-executive directors by the subscribers to the Memorandum of Association on the

incorporation of the Company. Their appointments were confirmed by letters dated 29 September 2006. Carol Goodwin was appointed as a non-executive director on 19 February 2007. The Directors' appointments are subject to the Articles and can be terminated in accordance with the Articles without notice and without compensation.

- 5.3 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 5.4 As stated in Part X of this document, Giles Frost is an employee of Babcock & Brown whose subsidiary Babcock & Brown Investment Management Limited is the Investment Adviser and Operator.
- 5.5 None of the Directors has, or has had, any material personal interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

6. OTHER DIRECTORSHIPS

- 6.1 In addition to their directorships of the Company, the Directors are or have been, members of the administrative, management or supervisory bodies or partners of the following companies or partnerships, at any time in the previous five years:

KEITH DORRIAN

Current Directorships and Partnerships:

AB Alternative Strategies PCC Limited	Hermes Absolute Return Fund (Guernsey) Limited
AB Asia Pacific Growth Fund Limited	Hermes Commodities Umbrella Fund Limited
AB International Fund PCC Limited	HSBC Global Absolute Limited
Arab Bank Fund Managers (Guernsey) Limited	IIAB PCC Limited
ACUS (Channel Islands) Ltd	K A N Consulting Limited
Bear Stearns Global Growth Fund Limited	MasterCapital Fund Limited
City Road Investment PCC Ltd	Montier Long Short Equity Fund of Funds Limited
Eagle & Dominion Limited	Montier Multistrategy Fund of Funds Limited
ELVEN Investments Limited	Montier Asset Management Limited
Eurocastle Investments Limited	Montier High Alpha Fund of Funds Limited
FPP General Partner Inc	Montier High Alpha Closed end Fund of Funds Limited
FPP Golden Asia Fund Limited	Montier Multi Strategy Closed end Fund of Funds Limited
GTA University Centre Limited	Third Point Offshore Investors Limited
HCIF Index Sub Fund Limited	UK Commercial Property Trust Limited
Helios Alternative Strategies Limited	

Past Directorships and Partnerships:

Ashmore Management Company (Guernsey) Limited	Finch Management and Marketing Limited
Assetholder PCC No 2 Limited	Henderson Management Company (Guernsey) Limited
Boyer Allan Japan Fund Inc	H R Properties Limited
Boyer Allan Management Limited	Jade General Partner Limited
Boyer Allan Pacific Fund Inc	Management International (Guernsey) Limited
Boyer Allan (Holding) Inc	Port Fund Managers (Guernsey) Limited
Dalton Capital (Guernsey) Limited	The Finch Fund Limited
Dalton General Partner Limited	The Finch Innovation Fund Limited
Danube Property Company Limited	The Sherpa Fund Limited
Delphi Global Fund Limited	Total Return Alternative Strategies Limited

RUPERT DOREY**Current Directorships and Partnerships:**

AAA Guernsey Ltd	FAP Hedge Fund Opportunities Master Fund Limited
Acencia Debt Strategies Ltd	Green Park Capital Investment Management Ltd
AP Alternative Assets LP	KGR Absolute Return Fund PCC Ltd
Celadon Fund PCC Ltd	MAISF PCC Central European Long Short Fund Ltd
Clifford Estate Company Ltd	MAISF PCC Convertible Bond Arbitrage Fund Ltd
Clifford Estate Company (Chattels) Ltd.	MAISF PCC G7 Fixed Income Fund Ltd
Cognis General Partner Ltd	MAISF PCC Global Macro Fund Ltd
Cognis 1 Fund LP	MAISF PCC Socially Responsible Investment Long Short Fund Ltd
Cognis 1 Master Fund LP	M&G General Partner Inc
Dexion Alpha Strategies Ltd	Onesimus Dorey (Holdings) Ltd
Endurance High Performance Fund Ltd	Partners Group Global Opportunities Ltd
Episode Inc	PSolve Alternatives PCC Ltd
Episode LLP	Saltus European Debt Fund Limited
FAP Hedge Fund Opportunities Fund Limited	Tetragon Financial Group Fund Ltd
FAP Hedge Fund Opportunities Fund GP Limited	Tetragon Financial Group Master Fund Ltd

Past Directorships and Partnerships

MAISF PCC Ltd UK Equity Long Short Fund

GILES FROST**Current Directorships and Partnerships:**

Abingdon Limited	Babcock & Brown Properties (Strathclyde) Limited
Afteracross Limited	Babcock & Brown (Tower Hamlets Schools) Limited
BBG LIFT Accommodation Services Limited	Babcock & Brown Properties Limited
Bexley Bromley and Greenwich LIFT Company	Babcock & Brown Properties No. 2 Limited
BBG Holdco Limited	Black Country STM Limited
Babcock & Brown (Derbyshire Courts) Limited	Bootle PFI Solutions 1998 (2) Limited
Babcock & Brown (PPP) Limited	Bootle Derby Holdings Limited
Babcock S. Brown PFI Holdings Limited	Calderdale Schools Limited
Babcock & Brown Properties (Abingdon) Limited	Derbyshire Courts (Property Co-Trustee) Limited
Babcock & Brown Properties (Bootle) Limited	Derbyshire Courts Limited
Babcock & Brown Properties (Calderdale Schools) Limited	Derbyshire Schools Phase Two Limited
Babcock & Brown Properties (Derbyshire Schools Phase Two) Limited	Derbyshire Schools Limited
Babcock & Brown Properties (Derbyshire Schools) Limited	East London Lift Holdco No2 Limited
Babcock & Brown Properties (Derbyshire Schools) Limited	East London Lift Accommodation Services No2 Limited

Babcock & Brown Properties (Derbyshire Schools) Limited	East London Lift Accommodation Services
Babcock & Brown Properties (Norfolk) Limited	East London Lift Company Limited
Babcock and Brown Properties (Rhyl St Asaph) Limited	East London Lift Investments Limited
Babcock & Brown Properties (St Thomas More) Limited	East London Schools Limited
Fieldsecond Limited	STM(H) Limited
H&W Courts Limited	Strathclyde Limited
Infracare Group Limited	Taskmore Limited
Infracare Capital Limited	TH (11th Hour) Limited
Infracare Partnering Limited	Tower Hamlets Schools Limited
Infracare (South) Limited	Tower Hamlets Holdings Limited
Lift Healthcare Investments Limited	Wellesley Barracks Limited
Lilt Investors Limited	Wymondham Limited
Long Eaton School Limited	WISP Newport LP Limited
Maesteg School Limited	WISP Newport (Property Co-Trustee) Limited
Maesteg School (Babcock & Brown) Limited	WISP Swansea GP Limited
Maesteg School (Bridgend) Limited	WISP Properties Limited
Narville Limited	WISP Newport GP Limited
NW (BBP) Limited	WISP Swansea LP Limited
Peak Courts Limited	WISP Swansea (Property Co-Trustee) Limited
Rhyl St Asaph Limited	WISP Strategic Partnership Limited
St Thomas More Limited	

Past Directorships and Partnerships:

CHGP CILP Limited	IFGP Limited
CIGP IFLP Limited	Wolverhampton City and Walsall Holdco Limited
Canjam Limited	Wolverhampton City and Walsall LIFT Accommodation Services Limited
Healthcare Improvement Partnership (Wolverhampton City and Walsall) Limited	

CAROL GOODWIN

Current Directorships and Partnerships:

AB Alternative Strategies Fund PCC Limited	Episode L.P.
AB Asia Pacific Growth Fund Limited	General Holdings Limited
AB International Fund PCC Limited	Investec Bank (Channel Islands) Limited
Arab Bank Fund Managers (Guernsey) Limited	Investec Bank (Channel Islands) Nominees Limited
Blackfish-Investec Capital Management Limited	IIAB PCC Limited
Curlew Group Holdings Limited	Melchior European Fund Limited
Dalton Capital (Asia) Limited	Melchior Global Macro Fund Limited
Dalton Capital (Guernsey) Limited	Melchior Global Macro (Master) Fund Limited
Dexion Trading Limited	Melchior Japan Fund Limited
Eastern European Property Fund	Melchior Japan (Master) Fund 002 Limited

Episode Inc.	Melchior European (Master) Fund Limited
Melchior Japan Fund 002 Limited	M&G General Partner Inc.
Melchior Japan (Master) Fund Limited	Yorkshire Guernsey Limited

Past Directorships and Partnerships

Asian Bond Fund	Investec (Overseas Holdings) BV
Curlew Investments Limited	Investec (USA) BV
Finch Management & Marketing Ltd	Japan Synthetic Warrant Fund
Guernsey Gambling Control Commission	PAI Europe III General Partner Limited
HX2 Fund	PAI Europe IV GP Limited
India Synthetic Warrant Fund	Premier Structured Plans Limited
Invego Belgium SA/N.V.	Stratton Street PCC Limited
Investec Bank (Channel Islands) Insurance Management Services Limited	The Dejima Fund Limited
Investec Investment Management Services Ltd	The Finch Fund Limited
Investec Mauritius BV	The Finch Innovation Fund Limited

6.2 At the date of this document, none of the Directors:

- (a) has any convictions in relation to fraudulent offences for at least the previous five years;
- (b) has been bankrupt, a director of any company or been a member of the administrative management or supervisory body of an issuer or a senior manager of an issuer at the time of any receivership or compulsory or creditors' voluntary liquidation for at least the previous five years; or
- (c) has been subject to any official public incrimination or sanction of him by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, for at least the previous five years.

6.3 The Company will maintain directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

6.4 The business address of the Directors is Polygon Hall, PO Box 225, Le Marchant Street, St Peter Port, Guernsey GY1 4HY.

7. MAJOR INTERESTS

7.1 As at the close of business on 13 March 2008 (the latest practicable date prior to publication of this Prospectus) insofar as is known to the Company, the following persons had a direct interest in three per cent. or more of the issued share capital of the Company.

Name of Shareholder	No. of Ordinary Shares	per cent. of issued Ordinary Shares in the Company before the Issue
Chase Nominees Limited	48,364,696	16.1 per cent.
Vidacos Nominees Limited	25,000,000	8.3 per cent.
Chase Nominees Limited	17,000,000	5.7 per cent.
Prudential Client HSBC GIS Nominee	14,335,348	4.8 per cent.
Pershing Keen Nominees Limited	12,381,296	4.1 per cent.
Mayor & Burgesses of the London Borough of Enfield	10,000,000	3.3 per cent.

As at the close of business on 29 February 2008 (the latest practicable date prior to publication of this Prospectus) insofar as is known to the Company, the following persons had an indirect interest in three per cent. or more of the issued share capital of the Company.

Name of Shareholder	No. of Ordinary Shares	per cent. of issued Ordinary Shares in the Company before the Issue
Schroder Investment Management	30,767,026	10.3 per cent.
AGSO Property PTY Limited	25,000,000	8.3 per cent.
Rensburg Sheppards Investment Management	19,026,086	6.3 per cent.
Bestinvest	15,837,705	5.3 per cent.
Tudor Capital (UK)	15,652,174	5.2 per cent.
M&G Investment Management	15,543,837	5.2 per cent.
Brewin Dolphin	10,685,965	3.6 per cent.
Mayor & Burgesses of London Borough of Enfield	10,000,000	3.3 per cent.

- 7.2 The Arranger has committed to the Company that either itself or another member of Babcock & Brown will subscribe for up to 8.33 per cent. of the C Shares comprised in the Issue. This subscription is subject to scaling back as further detailed in Part VI of this Prospectus.
- 7.3 Save as disclosed in 7.1 above, the Company is not aware of any person who, as at the close of business on 13 March 2008 was directly or indirectly interested in three per cent. or more of the issued Share capital of the Company.
- 7.4 Those interested, directly or indirectly, in three per cent. or more of the issued share capital of the Company do not now and, following the Issue, will not, have different voting rights from other holders of Shares in the Company.
- 7.5 The Company is not aware of any person who directly or indirectly, jointly or severally, will exercise or could exercise control over the Company immediately following the Issue.

8. MEMORANDUM OF ASSOCIATION

The Memorandum of Association of the Company provides that the objects of the Company include carrying on business as an investment company. The objects of the Company are set out in full in clause 3 of the Memorandum of Association, a copy of which is available for inspection at the addresses specified in paragraph 12.14 of this Part X.

9. ARTICLES OF ASSOCIATION

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

9.1 C SHARE RIGHTS

Definitions

The following definitions apply (for the purposes of paragraph 9.1 of this Part X only) in addition to, or (where applicable) in substitution for, the definitions applicable elsewhere in the Articles and this Prospectus:

"C Shares"	means the shares of 0.01p each in the capital of the Company issued and designated as C Class shares of whatever tranche and having the rights described in the Articles.
"C Share Surplus"	in relation to any tranche of C Shares means the net assets of the Company attributable to the C Shares in that tranche, being the assets attributable to the C Shares in that tranche (including for the avoidance of doubt, any income and/or revenue (net of expenses) arising from or relating to such assets) less such proportion of the Company's liabilities as the Directors shall reasonably allocate to the assets of the Company attributable to such C Shares.
"Calculation Time"	in relation to any tranche of C Shares means the earliest of: (a) the close of business on the date determined by the Directors that at least 80 per cent. of the assets attributable to that tranche of C Shares have been invested (as defined below) in accordance with the Company's investment policy; (b) the close of business on the last Business Day prior to the day on which Force Majeure Circumstances have arisen or the Directors resolve that such circumstances are in contemplation;

- (c) the close of business on such date as the Directors may determine to enable the Company to comply with its obligations in respect of Conversion; and
- (d) the close of business on the Business Day falling six months after the Admission of that tranche of C Shares.

“Conversion”

means in relation to any tranche of C Shares, the subdivision and conversion of that tranche of C Shares in accordance with Article 139(8) of the Articles and as described in paragraph 9.1 of this Part X.

“Conversion Ratio”

is A divided by B calculated to four decimal places (with 0.00005 being rounded upwards) where:

$$A = \frac{C-D}{E}$$

and

$$B = \frac{F-G}{H}$$

and where:

“C” is the aggregate of:

- (a) the value of the investments of the Company attributable to the C Shares of the relevant tranche (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are to be valued in accordance with (ii) below) which are listed or dealt in on a stock exchange or on a similar market:
 - (i) calculated in the case of investments of the Company which are listed on the London Stock Exchange according to the prices issued by the London Stock Exchange as at the Calculation Time, being the closing middle market prices for all investments other than the FTSE 100 constituents and FTSE 100 reserve list constituents for which the last trade prices shall be used. If any such investments are traded under the London Stock Exchange Daily Electronic Trading Service (“SETS”) and the latest recorded prices at which such investments have been traded as shown in the London Stock Exchange Daily Official List differ materially from the bid and offer prices of the investments quoted on SETS as at the Calculation Time, the value of such investments shall be adjusted to reflect the fair realisable value as determined by the Directors. Investments of the Company which are listed, quoted or dealt in on any other recognised stock exchange shall be valued by reference to the closing middle market prices on the principal stock exchange or market where the relevant investment is listed, quoted or dealt in as at the Calculation Time, as shown by the relevant exchange’s or market’s recognised method of publication of prices for such investments. Debt related securities (including Government stocks) shall be valued by reference to the closing middle market price, subject to any adjustment to exclude any accrual of interest which may be included in the quoted price, as at the Calculation Time; or
 - (ii) where such published prices are not available, calculated by reference to the Directors’ belief as to a fair current trading price at the Calculation Time for those investments, after taking account of any other price publication services reasonably available to the Directors;
- (b) the value of all other investments of the Company attributable to the C Shares of the relevant tranche at their respective acquisition costs, subject to such adjustments as the Directors may deem appropriate to be made for any variations in the value of such investments between the date of acquisition and the Calculation Time; and
- (c) the amount which, in the Directors’ opinion, fairly reflects, at the Calculation Time, the value of the current assets of the Company attributable to the C Shares of the relevant tranche (including cash and deposits with or balances at bank and including any accrued income and other items of a revenue nature less accrued expenses);

"D" is the amount which (to the extent not otherwise deducted in the calculation of "C") in the Directors' opinion fairly reflects the amount of the liabilities attributable to the C Shares of the relevant tranche at the Calculation Time;

"E" is the number of C Shares of the relevant tranche in issue at the Calculation Time;

"F" is the aggregate of:

- (a) the value of all the investments of the Company (other than investments which are subject to restrictions on transfer or a suspension of dealings, which are to be valued in accordance with (ii) below), other than investments attributable to the C Shares (of whatever tranche) in issue at the Calculation Time, which are listed or dealt in on a stock exchange or on a similar market:
 - (i) calculated in the case of investments of the Company which are listed on the London Stock Exchange according to the prices issued by the London Stock Exchange as at the Calculation Time, being the closing middle market prices for all investments other than the FTSE 100 constituents and FTSE 100 reserve list constituents for which the last trade prices shall be used. If any such investments are traded under the London Stock Exchange Daily Electronic Trading Service ("SETS") and the latest recorded prices at which such investments have been traded as shown in the London Stock Exchange Daily Official List differ materially from the bid and offer prices of the investments quoted on SETS as at the Calculation Time, the value of such investments shall be adjusted to reflect the fair realisable value as determined by the Directors. Investments of the Company which are listed, quoted or dealt in on any other recognised stock exchange shall be valued by reference to the closing middle market prices on the principal stock exchange or market where the relevant investment is listed, quoted or dealt in as at the Calculation Time, as shown by the relevant exchange's or market's recognised method of publication of prices for such investments. Debt related securities (including Government stocks) shall be valued by reference to the closing middle market price, subject to any adjustment to exclude any accrual of interest which may be included in the quoted price, as at the Calculation Time; or
 - (ii) where such published prices are not available, calculated by reference to the Directors' belief as to a fair current trading price for those investments, after taking account of any other price publication services reasonably available to the Directors;
- (b) the value of all other investments of the Company, other than investments attributable to the C Shares (of whatever tranche) in issue at the Calculation Time at their respective acquisition costs, subject to such adjustments as the Directors may deem appropriate to be made for any variations in the value of such investments between the date of acquisition and the Calculation Time, and
- (c) the amount which, in the Directors' opinion, fairly reflects at the Calculation Time, the value of the current assets of the Company (including cash and deposits with or balances at bank and including any accrued income or other items of a revenue nature less accrued expenses), other than such assets attributable to the C Shares (of whatever tranche) in issue at the Calculation Time;

"G" is the amount which (to the extent not otherwise deducted in the calculation of "F") in the Directors' opinion fairly reflects the amount of the liabilities and expenses of the Company at the Calculation Time including, for the avoidance of doubt, the full amount of all dividends declared but not paid) less the amount of "D";

"H" is the number of Ordinary Shares in issue at the Calculation Time.

"Conversion Time"

means a time which falls after the Calculation Time and is the time at which the admission of the New Shares to the Official List becomes effective and which is the earlier of:

- (a) the opening of business on such Business Day as is selected by the Directors provided that such day shall not be more than twenty Business Days after the Calculation Time; or
- (b) such earlier date as the Directors may resolve should Force Majeure Circumstances have arisen or the Directors resolve that such circumstances are in contemplation.

"Deferred Shares"

means the redeemable deferred shares of 0.01p each in the capital of the Company arising on the conversion of C Shares of the relevant tranche into New Shares and Deferred Shares.

“Force Majeure Circumstances”	means in relation to any tranche of C Shares any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable notwithstanding that less than 80 per cent. of the assets attributable to the relevant tranche of C Shares are invested (as defined below) in accordance with the Company’s investment policy.
“Independent Accountants”	means such firm of chartered accountants as the Directors may, from time to time, appoint for the purpose.
“New Shares”	means Ordinary Shares arising on the conversion of the C Shares of the relevant tranche.
“Share Surplus”	means the net assets of the Company less the C Share Surplus;

References to the Independent Accountants certifying any matter shall be construed to mean certification of their opinion as to such matter, whether qualified or not.

For the purposes of Article 139, other than in sub-paragraph (3), rights as to capital for C Class Shares, assets or investments attributable to the C Shares of a particular tranche or the holders of C Share(s) of a particular tranche shall mean the net cash proceeds (after all expenses relating thereto) as invested in or represented by investments or cash or other assets from time to time.

For the purposes of paragraph (a) of the definition of Calculation Time and the definition of Force Majeure Circumstances in relation to any tranche of C Shares, the assets attributable to the C Shares of that tranche shall be treated as having been “invested” if they have been expended by or on behalf of the Company in the acquisition or making of an investment (whether by subscription or purchase) or if an obligation to make such payment has arisen or crystallised (in each case unconditionally or subject only to the satisfaction of normal pre-issue conditions) in relation to which the consideration amount has been determined or is capable of being determined by operation of an agreed contractual mechanic.

1 ISSUES OF C SHARES

Subject to the Laws, the Directors shall be authorised to issue C Shares in tranches on such terms as they determine provided that such terms are consistent with the provisions summarised in this sub-paragraph. The Directors shall, on the issue of each tranche of C Shares, determine the Calculation Time and Conversion Time together with any amendments to the definition of Conversion Ratio attributable to each such tranche.

Each tranche of C Shares, if in issue at the same time, shall be deemed to be a separate class of shares. The Directors may, if they so decide, designate each tranche of C Shares in such manner as they see fit in order that each tranche of C Shares can be identified.

2 DIVIDENDS AND PARI PASSU RANKING OF C SHARES AND NEW SHARES

The holders of C Share(s) of a tranche shall be entitled to receive, and participate in, any dividends declared only insofar as such dividend is attributed, at the sole discretion of the Directors, to the C Share Surplus of that tranche.

If any dividend is declared after the issue of any tranche of C Shares and prior to the Conversion of that tranche, the holders of Ordinary Shares shall be entitled to receive and participate in such dividend only insofar as such dividend is not attributed, at the sole discretion of the Directors, to the C Share Surplus of the relevant tranche of C Shares.

The New Shares shall rank in full for all dividends and other distributions declared, made or paid after the Conversion Time and otherwise pari passu with the Ordinary Shares in issue at the Conversion Time.

The Deferred Shares (to the extent that any are in issue and extant) shall not entitle the holders thereof to any dividend or any other right as the holders thereof to share in the profits or net assets of the Company.

3 RIGHTS AS TO CAPITAL

The capital and assets of the Company shall, on a winding-up or on a return of capital prior, in each case, to Conversion be applied as follows:

- (a) the Share Surplus shall be divided amongst the holders of Ordinary Shares according to the rights attaching thereto as if the Share Surplus comprised the assets of the Company available for distribution;
- (b) the C Share Surplus shall be divided amongst the holders of C Share(s) pro rata according to their holdings of C Shares; and
- (c) the Deferred Shares shall have no rights as to the capital or assets of the Company.

4 VOTING AND TRANSFER

The C Shares shall carry the right to receive notice of, and to attend or vote at, any general meeting of the Company. The C Shares shall be transferable in the same manner as the Ordinary Shares. The Deferred Shares shall not be transferable and shall not carry any rights to receive notice of or vote at, any general meeting of the Company.

5 REDEMPTION

- (a) The C Shares are issued on terms that each tranche of C Shares and Deferred Shares shall be redeemable by the Company in accordance with the terms set out in the Articles.
- (b) At any time prior to Conversion, the Company may, at its discretion, redeem all or any of the C Shares then in issue by agreement with any holder(s) thereof in accordance with such procedures as the Directors may determine (subject to the facilities and procedures of CREST) and in consideration of the payment of such redemption price as may be agreed between the Company and the relevant holders of C Share(s).
- (c) The Deferred Shares arising from Conversion of a particular tranche of C Shares (to the extent that any are in issue and extant) may be redeemed at the option of the Company at any time following Conversion of the relevant tranche of C Shares for an aggregate consideration of 1p for all such Deferred Shares, and for such purposes any Director is authorised as agent on behalf of each holder of Deferred Shares, in the case of any share in certificated form, to execute any stock transfer form and to do any other act or thing as may be required to give effect to the same including, in the case of a share in uncertificated form, the giving of directions to or on behalf of each holder of Deferred Shares who shall be bound by them.
- (d) The Company shall not be obliged to issue share certificates to the holders of Deferred Shares.

6 CLASS CONSENTS AND VARIATION OF RIGHTS

Without prejudice to the generality of the Articles, until Conversion the consent of the holders of the C Shares as a class shall be required for, and accordingly, the special rights attached to the C Shares shall be deemed to be varied, *inter alia*, by:

- (a) any alteration to the memorandum of association of the Company or the Articles; or
- (b) any alteration, increase, consolidation, division, sub-division, cancellation, reduction or purchase by the Company of any issued or authorised share capital of the Company (other than on Conversion); or
- (c) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company; or
- (d) the passing of any resolution to wind up the Company; or
- (e) any change to the accounting reference date of the Company.

7 UNDERTAKINGS

Until Conversion, and without prejudice to its obligations under the Law, the Company shall in relation to each tranche of C Shares:

- (a) procure that the Company's records and bank accounts shall be operated so that the assets attributable to the C Shares of the relevant tranche can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall procure that separate cash accounts shall be created and maintained in the books of the Company for the assets attributable to the C Shares of the relevant tranche; and
- (b) allocate to the assets attributable to the C Shares of the relevant tranche such proportion of the expenses or liabilities of the Company incurred or accrued between the issue of the C Shares and the Calculation Time (both dates inclusive) as the Directors fairly consider to be attributable to the C Shares of the relevant tranche including, without prejudice to the generality of the foregoing, those liabilities specifically identified in the definition of "Conversion Ratio" above; and
- (c) give appropriate instructions to the Investment Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

8 CONVERSION OF C SHARES

- (a) In relation to each tranche of C Shares, the C Shares shall sub-divided and converted into New Shares and Deferred Shares at the Conversion Time in accordance with the following provisions of this paragraph, the Directors shall procure that:
 - (i) the Company (or its delegate) calculate, within two Business Days after the Calculation Time, the Conversion Ratio as at the Calculation Time and the number of New Shares to which each holder of C Shares of that tranche shall be entitled on Conversion; and
 - (ii) the Independent Accountants shall be requested to certify, within three Business Days after the Calculation Time, that such calculations:
 - (1) have been performed in accordance with the Articles; and
 - (2) are arithmetically accurate,

whereupon, subject to the proviso in the definition of Conversion Ratio above, such calculations shall become final and binding on the Company and all Members.

- (b) The Directors shall procure that, as soon as practicable following such certificate, an announcement is made to a regulatory information service, advising holders of C Share(s) of that tranche, the Conversion Time, the Conversion Ratio and the aggregate number of New Shares to which holders of C Share(s) of that tranche are entitled on Conversion.
- (c) Conversion shall take place at the Conversion Time. On Conversion:
 - (i) each issued C Share shall automatically be sub-divided into ten sub-divided C Shares of 0.001p¹⁴ each and such number of sub-divided C Shares shall automatically convert into such number of New Shares (such sub-division and conversion being deemed to be authorised by the special resolution creating the C Shares) as shall be necessary to ensure that, upon Conversion being completed, the aggregate number of sub-divided C Shares which are converted into New Shares equals the aggregate number of C Shares of that tranche in issue at the Calculation Time multiplied by the Conversion Ratio (rounded down to the nearest whole New Share). Each sub-divided C Share which does not so convert into a New Share shall automatically convert into a Deferred Share having the rights set out in sub-paragraphs 3 and 6 above and shall be dealt with in accordance with paragraph (ii) below. Share certificates will not be issued in respect of the sub-divided C Shares.
 - (ii) each sub-divided C Share which does not convert into a New Share in accordance with paragraph (i) above and is converted into a Deferred Share shall immediately upon Conversion be redeemed by the Company in accordance with sub-paragraph 5(c) above for an aggregate consideration of 1p for all of the Deferred Shares so redeemed. The Company shall not be obliged to account to any holder of C Share(s) for the redemption monies in respect of such shares. Immediately following such redemption every 10 redeemed Deferred Shares shall be consolidated into Deferred Shares of 0.01p¹⁵ and each such share shall automatically be reclassified as a C Share in the authorised share capital of the Company. Any Deferred Share of 0.01p not consolidated and reclassified as described above shall be reclassified as an Ordinary Share in the authorised share capital of the Company. If at a time such shares would otherwise be redeemed the Company may not lawfully effect such redemption except out of the proceeds of a fresh issue of shares made for the purpose of a redemption, the Company shall issue such number of Nominal Shares of 0.01p each at a sufficient price per share in order to provide the Company with the funds to effect such redemption.
- (d) The New Shares arising upon Conversion shall be divided amongst the former holders of C Share(s) pro rata according to their respective former holdings of C Shares of the relevant tranche (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to New Shares, including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company) and for such purposes any Director is hereby authorised as agent on behalf of the former holders of C Share(s), in the case of a share in certificated form, to execute any stock transfer form and to do any other act or thing as may be required to give effect to the same including, in the case of a share in uncertificated form, the giving of directions to or on behalf of the former holders of any C Shares who shall be bound by them.
- (e) Forthwith upon Conversion, any certificates relating to the C Shares of the relevant tranche shall be cancelled and the Company shall issue to each such former C Shareholder new certificates in respect of the New Shares which have arisen upon Conversion unless such former holder of any C Shares elects to hold their New Shares in uncertificated form.
- (f) The Company will use its reasonable endeavours to procure that, upon Conversion, the New Shares are admitted to the Official List.

9 DEFERRED SHARES

Deferred Shares shall only be issued in respect of Conversion of C Shares. In a winding-up after Conversion, Deferred Shares shall be entitled to return an amount equal to their nominal value after return of capital on Ordinary Shares, paid up on Nominal Shares.

9.2 Votes of Members

Subject to the restrictions referred to below and subject to any special rights or restrictions for the time being attached to any class of shares, every member (being an individual) present in person or by proxy or (being a corporation) present by a duly authorised representative at a general meeting has, on a show of hands, one vote and, on a poll, one vote for every share held by him.

9.3 Shares

Ordinary Shares of 0.01p each

(a) INCOME

Holders of Ordinary Shares are entitled to receive and participate in any dividends or other distributions out of the profits of the Company available for dividend or distribution and resolved to be distributed in respect of any accounting period or any other income right to participate therein.

(b) CAPITAL

Holders of Ordinary Shares are entitled on the winding-up of the Company to receive out of the assets of the Company available for distribution an amount equal to the nominal value of the Ordinary Shares plus any surplus remaining after payment of the nominal value of the Ordinary Shares (and the nominal value of the nominal shares in issue at the time).

¹⁴ The Articles have a typographical error which states this to be 0.01p

¹⁵ The Articles have a typographical error which states this to be 0.1p

9.4 Dividends and Distributions

- (a) The Company in general meeting may declare dividends but no dividend shall exceed the amount recommended by the Directors.
- (b) The Company may make distributions of capital in accordance with the Laws and the Articles save that the distribution by way of dividend of the Company's surpluses arising from the realisation of investments is prohibited. Whenever a distribution falls to be considered by the Board, the Directors will consider whether to distribute a dividend or otherwise.
- (c) The Directors may if they think fit at any time declare and pay such interim dividends as appear to be justified by the position of the Company.
- (d) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee thereof. No dividend shall bear interest against the Company. Any dividend unclaimed after a period of twelve years from the date of declaration or payment of such dividend shall be forfeited and shall revert to the Company.
- (e) The Directors are empowered to create reserves before recommending or declaring any dividend. The Directors may also carry forward any profits which they think prudent not to distribute by dividend.

9.5 Issue of Shares

- (a) Without prejudice to any special rights previously conferred on the holders of any class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Company may from time to time by ordinary resolution determine and, subject to and in default of such resolution, as the Directors may determine.
- (b) Subject to the Articles the unissued shares shall be at the disposal of the Directors and they may allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they determine.
- (c) The Company may on any issue of shares pay such commission as may be fixed by the Directors and disclosed in accordance with the Laws. The Company may also pay brokerages.

9.6 Variation of Rights

If at any time the capital of the Company is divided into separate classes of share, the special rights attached to any class of shares may (unless otherwise provided by the terms of issue) be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of such shares. The necessary quorum shall be two persons holding or representing by proxy at least one third of the issued shares of the class. Every holder of shares of the class concerned shall be entitled at such meeting to one vote for every share held by him on a poll. The rights conferred upon the holders of any shares or class of shares issued with preferred or other rights shall not be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith or the exercise of any power under the disclosure provisions requiring shareholders to disclose an interest in the Company's shares as set out in the Articles.

9.7 Restriction on Voting

A member of the Company shall not be entitled in respect of any share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company:

- (a) unless all amounts due from him or such share have been paid; or
- (b) in the circumstances mentioned in paragraph 9.8 below.

9.8 Notice Requiring Disclosure of Interest In Shares

The Directors may serve notice in writing on any member requiring that member to disclose to the Company to the satisfaction of the Directors the identity of any person (other than the member) who has an interest in the shares held by the member and the nature of such interest. Any such notice shall require any information in response to such notice to be given within such reasonable time as the Directors may determine.

The Directors may be required to exercise these powers on a requisition of members holding not less than one tenth of the paid up capital of the Company carrying the right to vote at general meetings. If any member is in default in supplying to the Company the information required by the Company within the prescribed period, the Directors in their absolute discretion may serve a direction notice on the member. The direction notice may direct that in respect of the shares in respect of which the default has occurred (the "**Default Shares**") and any other shares held by the member, the member shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. of the class of shares concerned the direction notice may additionally state that dividends and distributions on such shares will be retained by the Company (without interest) and that no transfer of the shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

9.9 Transfer of Shares

In respect of those Ordinary Shares held in certificated form, the following shall apply to the transfer of Ordinary Shares held in such form:

- (a) subject as provided below, any Shareholder may transfer all or any of his Ordinary Shares by instrument of transfer in any usual or common form which the Directors may approve. The instrument of transfer of any Ordinary Shares shall be signed by or on behalf of the transferor (and in the case of a partly paid share by the transferee also); and

- (b) an instrument of transfer should be lodged at the registered office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to prove the title of the transferor or to show the right of the transferor to make the transfer.

The Board may, in its absolute discretion, refuse to register a transfer:

- (a) of any share which is not fully paid up or on which the Company has a lien provided that, in the case of a listed share, this would not prevent dealings from taking place on an open and proper basis;
- (b) if it is in respect of more than one class of share;
- (c) if it is in favour of more than four joint transferees
- (d) of a certificated share, if the transfer, having been delivered for registration to the registered office or such other place as the Board may decide, is not accompanied by the certificate for the shares to which it related and such other evidence as the Board may reasonably require to prove title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so; and
- (e) the Board may refuse to register a proposed transfer of a certificated share to any person who may cause or is likely to cause the assets of the Company to be considered plan assets within the meaning of the regulations adopted under ERISA or which holding would or might result in the Company being required to register or qualify under the Investment Company Act.

The registration of transfers of Ordinary Shares whether held in certificated or uncertificated form may be suspended at such times and for such periods as the Board may from time to time determine provided that such suspension shall not be for more than 30 days in any year.

9.10 Compulsory Transfer of Shares

If it shall come to the notice of the Directors that any shares:

- (a) are or may be owned or held directly or indirectly by any other holder of shares or other securities of the Company or any person that is a pension or other benefit plan subject to Title I of ERISA and in the opinion of the Directors the assets of the Company may be considered "plan assets" within the meaning of regulations adopted under ERISA; or
- (b) are or may be owned or held directly or beneficially such that the aggregate number of United States Persons who are holders or beneficial owners (which for these purposes shall include beneficial ownership by attribution pursuant to Section 3(c)(1)(A) of the Investment Company Act) of shares or other securities of the Company and who are Private Offering Holders (as defined in the Articles) is or may be more than 75; or
- (c) are or may be owned or held directly or beneficially by any person to whom a transfer of shares or whose ownership or holding of any shares might in the opinion of the Directors require registration of the Company as an investment company under the Investment Company Act,

the Directors may serve a written notice (a **"Transfer Notice"**) upon the person (or any one of such persons where shares are registered in joint names) appearing in the register as the holder (the **"Vendor"**) of any of the shares concerned (the **"Relevant Shares"**) requiring the Vendor within 21 days (or such extended time as in all the circumstances the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person who, in the sole and conclusive determination of the Directors, would not fall within paragraph (a) or (c) above and whose ownership or holding of such shares would not result in the aggregate number of Private Offering Holders who are beneficial owners or holders of shares or other securities of the Company being 75 or more (such a person being hereinafter called an **"Eligible Transferee"**). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Share to which it relates pursuant to the provisions referred to in this paragraph 9.10, the rights and privileges attaching to the Relevant Shares will be suspended and not capable of exercise.

If within 21 days after the giving of a Transfer Notice (or such extended time as in all the circumstances the Directors consider reasonable) the Transfer Notice has not been complied with to the satisfaction of the Directors, the Company may sell the Relevant Shares on behalf of the holder thereof, subject to the Guernsey CREST Regulations, by instructing a member firm of the London Stock Exchange to sell them at the best price reasonably obtainable at the time of sale, to any Eligible Transferee or Eligible Transferees. To give effect to a sale, the Directors may authorise in writing any officer of the Company or any officer or employee of the secretary of the Company to transfer the Relevant Shares on behalf of the holder thereof (or any person who is automatically entitled to the shares by transmission or by law), or to cause the transfer of the Relevant Shares, to the purchaser and in relation to an uncertificated share may require the operator to convert the share into certificated form in accordance with the requirements of CREST applicable to the Company and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the Relevant Shares. The purchaser is not bound to see to the application of the purchase money and the title of the transferee is not affected by any irregularity in or invalidity of the proceedings connected to the sale.

The net proceeds of the sale of the Relevant Shares, after payment of the Company's costs of the sale, will be received by the Company, whose receipt will be a good discharge for the purchase moneys, and will belong to the Company and, upon their

receipt, the Company will become indebted to the former holder of, or person who is automatically entitled to the shares by transmission or by law to, the Relevant Shares for an amount equal to the net proceeds of transfer upon surrender by him or them, in the case of certificated shares, of the certificate for the Relevant Shares which the Vendor shall forthwith be obliged to deliver to the Company. The Company is deemed to be a debtor and not a trustee in respect of that amount for the member or other person. No interest will be payable on that amount and the Company will not be required to account for money earned on it. The amount may be employed in the business of the Company or as it thinks fit. The Company may register or cause the registration of the transferee as holder of the Relevant Shares and thereupon the transferee will become absolutely entitled thereto.

A person who becomes aware that he falls within any of paragraphs 9.10(a), or 9.10(c) above or, being a Private Offering Holder and a beneficial owner or holder of shares, becomes aware that the aggregate number of Private Offering Holders who are beneficial owners or holders of shares or other securities of the Company is more than 75, shall forthwith, unless he has already received a Transfer Notice pursuant to the provisions referred to in this paragraph 9.10 above either transfer the shares to one or more Eligible Transferees or give a request in writing to the Directors for the issue of a Transfer Notice in accordance with the provisions referred to above. Every such request shall, in the case of certificated shares, be accompanied by the certificate(s) for the shares to which it relates.

Subject to the provisions of the Articles, the Directors will, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that none of the shares are held in such a way as to entitle the Directors to serve a Transfer Notice in respect thereof. The Directors may, however, at any time and from time to time call upon any holder (or any one of joint holders or a person who is automatically entitled to the shares by transmission or by law) of shares by notice in writing to provide such information and evidence as they require upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than 21 clear days after service of the notice requiring the same) as may be specified by the Directors in the said notice, the Directors may, in their absolute discretion, treat any share held by such a holder or joint holders or a person who is automatically entitled to the shares by transmission or by law as being held in such a way as to entitle them to serve a Transfer Notice in respect thereof.

The Directors will not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions. The exercise of the powers conferred by the provisions referred to in paragraphs in this paragraph 9.10 may not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership or holding of shares by any person or that the true direct or beneficial owner or holder of any shares was otherwise than as appeared to the Directors at the relevant date provided that the said powers have been exercised in good faith.

9.11 Alteration of Capital and Purchase of Shares

The Company may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe.

The Company may from time to time, subject to the provisions of the Laws, purchase its own shares (including any redeemable shares) in any manner authorised by the Laws.

Subject to the exclusion applying to allotments of shares of any class for cash by the Company of an aggregate nominal amount of up to 10 per cent. of the total issued share capital of the relevant class (or such other amount as the Company may by Ordinary Resolution determine) in any twelve (12) month period and to any direction to the contrary that may be given by the Company, the Company shall not allot any Shares for cash to any person unless it has made an offer to each Member to allot to him on the same or more favourable terms a proportion of those Shares which is as nearly as practicable equal to the proportion of the aggregate of all Shares of such class in issue represented by Shares of such class then held by such Member. The offeree shall have a period of not less than twenty one days within which to accept the offer, and if the offer is not accepted, it will be deemed to be declined. After the expiration of that period, or, if earlier, on the receipt by the Company of acceptances or refusals of the offer from each person to whom the offer was made, the Board may dispose of those Shares that have not been taken up in the offer, in such manner as they think most beneficial to the Company. The Board may likewise so dispose of any new Shares which (by reason of the ratio which the new Shares bear to shares held by those Members entitled to an offer of new Shares) cannot, in the opinion of the Board, be conveniently offered under this provision.

The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of a larger amount than its existing Shares; subdivide all or any of its Shares into shares of a smaller amount than is fixed by the Memorandum of Association; cancel any Shares which at the date of the resolution have not been taken or agreed to be taken and diminish the amount of its authorised share capital by the amount of Shares so cancelled.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with and subject to any authorisation and consent required by the Laws.

9.12 Interests of Directors

- (a) Save as mentioned below, a Director may not vote or be counted in the quorum on any resolution of the Directors (or a committee of the Directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material personal interest (other than by virtue of his interest in Shares or debentures or other securities of the Company).

- (b) A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (i) the giving of any guarantee security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiaries;
 - (ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
 - (iii) the offer of securities of the Company or its subsidiaries in which offer he is or may be entitled to participate or in the underwriting or sub underwriting of which he is to participate;
 - (iv) any proposal concerning any other company in which he is interested, directly or indirectly, as an officer or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of any such company or of the voting rights of such company;
 - (v) any arrangement for the benefit of any employees of the Company or any of its subsidiaries which accords to the Director only such privileges and advantages as are generally accorded to the employees to whom the arrangement relates; or
 - (vi) any proposal for the purchase or maintenance of insurance for the benefit of Directors or persons including the Directors.
- (c) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company, or where the terms of appointment are arranged and he may vote on any such appointment other than his own appointment or the terms thereof.
- (d) Any Director may act by himself or by 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.
- (e) Any Director may continue to be or become a director, managing director, manager or other officer or member of a company in which the Company is interested, and any such Director shall not be accountable to the Company for any remuneration or other benefits received by him.

9.13 Directors

- (a) The Directors shall be remunerated for their services at such rate as the Directors shall determine provided that the aggregate amount of such fees shall not exceed £125,000 per annum (or such other sums as the Company in general meeting shall from time to time determine). The Directors shall also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties.
- (b) If any Director having been requested by the Directors shall render or perform extra or special services or shall travel or go to or reside in any country not his usual place of residence for any business or purpose of the Company he shall be entitled to receive such sum as the Directors may think fit for expenses and also such remuneration as the Directors may think fit either as a fixed sum or as a percentage of profits or otherwise and such remuneration may as the Directors shall determine be either in addition to or in substitution for any other remuneration which he may be entitled to receive.
- (c) 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 on such terms as the Directors may determine.
- (d) The Directors may from time to time appoint one or more of their body (other than a Director resident in the UK) to the office of managing director or to any other executive office for such periods and upon such terms as they determine.
- (e) The Directors may at any time appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until, and shall be eligible for re-election at, the next general meeting following his appointment but shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at that meeting if it is an annual general meeting. Without prejudice to those powers, the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director.
- (f) At the first annual general meeting of the Company all of the Directors shall retire from office. At each annual general meeting thereafter, one third of the Directors (or if their number is not three or an integral multiple of three), the number nearest to, but (except where there are less than three Directors) not greater than one-third shall retire from office,
- (g) Subject to the provisions of the Articles, the Directors to retire by rotation on each occasion shall be those of the Directors who have been longest in office since their last appointment or re-appointment but, as between persons who became or were last re-appointed Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, any Director who would not otherwise be required to retire at any annual general meeting

which is the third annual general meeting after the later of his appointment by the Company in general meeting and re-election as a Director of the Company in general meeting, shall nevertheless be required to retire at such annual general meeting.

- (h) The maximum number of Directors shall be seven and the minimum number of Directors shall be two. The majority of the Directors shall at all times be resident outside the UK.
- (i) Unless otherwise fixed by the Company in general meeting, a Director shall not be required to hold any qualification shares.
- (j) Each Director is required to retire at 70 years of age.
- (k) The office of Director shall be vacated if the Director resigns his office by written notice, if he shall have absented himself from meetings of the Directors for a consecutive period of six months and the Directors resolve that his office shall be vacated, if he becomes of unsound mind or incapable, if he becomes insolvent, suspends payment or compounds with his creditors, if he is requested to resign by written notice signed by all his co-Directors, if the Company in general meeting by ordinary resolution shall declare that he shall cease to be a Director, or if he becomes resident in the UK and, as a result, a majority of the Directors are resident in the UK.
- (l) The Directors may appoint a Chairman, who will not have a second or casting vote.

9.14 General Meetings

Notice for any general meeting shall be sent by the secretary of the Company or any other person appointed by the Directors not less than fourteen days before the meeting. The notice must specify the time and place of the general meeting and, in the case of any special business, the general nature of the business to be transacted. With the consent in writing of all the members a meeting may be convened by a shorter notice or at no notice in any manner they think fit. The accidental omission to give notice of any meeting or the non-receipt of such notice by any Shareholder shall not invalidate any resolution, or any proposed resolution otherwise duly approved, passed or proceeding at any meeting. The quorum for the general meeting shall be two members present in person or by proxy.

9.15 Winding-Up

- (a) On a winding up, the surplus assets remaining after payment of all creditors including payment of bank borrowings, shall be applied in the following priority:
 - (i) first, in the payment to the holders of Ordinary Shares of a sum equal to the nominal amount of the Ordinary Shares of such class held by such holders provided that there are sufficient assets available in the Company to enable such payment to be made;
 - (ii) second, in payment to the holders of the nominal shares of sums up to the nominal amount paid up thereon (to the extent that there are any nominal shares in issue); and
 - (iii) third, in the payment to the holders of the Ordinary Shares of any balance then remaining, including but without limitation the balance of any assets in the Company.
- (b) On a winding-up, the liquidator may, with the authority of a special resolution, divide amongst the members in specie any part of the assets of the Company. The liquidator may with like authority vest any part of the assets in trustees upon such trusts for the benefit of members as he shall think fit but no member shall be compelled to accept any assets in respect of which there is any liability.
- (c) Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company the liquidator may, with the sanction of an ordinary resolution, receive in compensation, or part compensation for the transfer or sale shares policies or other like interests for distribution among the members or may enter into any other arrangements whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.

9.16 Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money (in whatever currency the Directors determine from time to time) and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking property or assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any liability or obligation of the Company or of any third party, provided always that the Company's borrowing policy will limit outstanding borrowings, including any financial guarantees to support subscription obligations to 50 per cent. of the Gross Asset Value of its investments and cash balances, with the Company having the ability to borrow in aggregate up to 66 per cent. of the Gross Asset Value on a short (ie less than 365 day) basis if the Directors consider appropriate. For this purpose, outstanding borrowings exclude intra-group borrowings and the debts of underlying Project Entities.

10. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or a Holding Entity or a wholly owned company of a Holding Entity since incorporation of the Company and are, or may be, material and there are no other contracts entered into by the Company or a Holding Entity or a wholly owned company of a Holding Entity which include an obligation or entitlement, which is material to the Company as at the date of this document.

10.1 Acquisition Agreements

The Acquisition Agreements pursuant to which it is intended that the Partnership, or companies wholly owned by the Partnership, acquire the C Share Seed Portfolio are described in more detail in Part IV of this Prospectus.

10.2 Investment Advisory Agreement

Pursuant to an investment advisory agreement dated 10 October 2006, between the Company and the Investment Adviser (the “**Investment Advisory Agreement**”), the Investment Adviser was appointed to provide investment advisory services to the Company. The services to be provided under the Investment Advisory Agreement include (*inter alia*) advising the Company in respect of the strategic management of the Investment Portfolio and the Holding Entities. As the Company conducts its investment activities through the Holding Entities, the Investment Advisory Agreement does not confer any discretionary investment management powers on the Investment Adviser (the Group’s discretionary investment management being conducted by BBIML in its capacity as Operator of the Partnership).

The aggregate fees payable to BBIML in its capacity as Investment Adviser and Operator and to the General Partner are described in Part I of this document under the heading “Fees and Expenses”. The Investment Adviser is entitled to retain any commissions, fees or any other form of remuneration in relation to any transaction without deduction or set off from either the Base Fee or the Incentive Fee. The Investment Adviser is also entitled to reimbursement of all costs of the Company paid for the Company by the Investment Adviser and reasonable out-of-pocket expenses.

The Investment Advisory Agreement may be terminated by either party giving to the other five years notice of termination, expiring at any time after 15 years from the date of the Investment Advisory Agreement. The Investment Advisory Agreement may also be terminated immediately by either party: (a) if the other party fails to make a payment when due which is not paid within 30 days of being notified of the failure to make a payment; or (b) in the case of the material breach by the other party which remains unremedied for 30 days after such party has been notified of the breach or, if such breach is not capable of remedy, if the breaching party fails to offer compensation in respect of such breach which is reasonably acceptable to the other party.

The Company can terminate the Investment Advisory Agreement immediately in any of the following circumstances: (a) on the insolvency or analogous event occurring in respect of the Investment Adviser; (b) if the Investment Adviser is no longer permitted by applicable laws, rules and regulations to provide its services under the Investment Advisory Agreement; and (c) if the Operator is removed or replaced in accordance with the Operating Agreement, save that in the case of (a) and (b), the Company shall, if so required by Babcock & Brown, novate the Investment Advisory Agreement in favour of another member of the Babcock & Brown group that is reasonably acceptable to the Company, who is not insolvent and who can provide the services in accordance with relevant laws and regulations.

In addition, subject to the Shareholders passing an ordinary resolution directing the Directors to terminate the Investment Advisory Agreement, the Company can terminate the Investment Advisory Agreement by giving one year’s written notice to the Investment Adviser in either of the following circumstances: (a) if at any time after the expiry of five years from the date of the Investment Advisory Agreement, the Benchmark Return Index outperforms the Ordinary Share Return Index by more than 3 per cent. in at least eight out of the immediately preceding 10 quarterly periods (unless the reason for the outperformance of the Benchmark Return Index was to a material extent caused by the occurrence of an event or events of force majeure); or (b) if at any time a material (in number and seniority) of employees in the Babcock & Brown group’s infrastructure and project finance group cease to be employed by any member of the Babcock & Brown group and are not replaced (before the end of the one year written notice period) by suitably qualified other staff who will enable the services to be provided under the Investment Advisory Agreement in a manner at least comparable to that in which the services were provided prior to the occurrence of such event.

The Investment Adviser can terminate the Investment Advisory Agreement on the occurrence of any of the following: (a) on the insolvency or analogous event occurring in respect of the Company; (b) if the Ordinary Shares cease to be listed on the Official List; or (c) if a person (other than Babcock & Brown) acquires a relevant interest in 29 per cent. or more of the Ordinary Shares in issue at the relevant time.

The Investment Advisory Agreement provides that the Company shall indemnify the Investment Adviser and its officers directors employees and agents for losses of any nature arising in connection with the Investment Advisory Agreement (except where fraud gross negligence or wilful default are involved on the part of the Investment Adviser or its officers directors, employees and agents). The Investment Advisory Agreement also provides that the Investment Adviser shall have no liability to the Company or to any Shareholder except for losses resulting from the gross negligence, wilful default or fraud of the Investment Adviser or any of its employees.

10.3 Limited Partnership Agreement

A description of the terms of the Limited Partnership Agreement governing the Limited Partnership (of which Luxco 2 (a wholly-owned subsidiary of the Company) will be the sole limited partner) is included at paragraph 4 of this Part X above.

10.4 Operating Agreement

Pursuant to an operating agreement dated 10 October 2006 between the General Partner (for itself and on behalf of the Partnership) and the Operator (the “**Operating Agreement**”), the Operator was appointed by the Partnership to manage and operate the Partnership and its investments.

The Operator is entitled to such fees as shall be agreed between the General Partner and the Operator from time to time. Any such fees shall be payable out of the General Partner's own assets and not out of the assets of the Partnership. The Operator is entitled to retain any commissions, fees or any other form of remuneration in relation to any transaction.

The Operating Agreement may be terminated by either the Partnership or the Operator giving to the other five years notice of termination expiring at any time after 15 years from the date of the Operating Agreement. The Operating Agreement may also be terminated immediately by the Partnership or the Operator: (a) if the other party fails to make a payment when due which is not paid within 30 days of being notified of the failure to make a payment; or (b) in the case of the material breach by the other party which remains unremedied for 30 days after such party has been notified of the breach or, if such breach is not capable of remedy, if the breaching party fails to offer compensation in respect of such breach which is reasonably acceptable to the other party.

The Partnership can terminate the Operating Agreement immediately (and the General Partner shall so terminate the Operating Agreement if directed to do so by Luxco 2 in its capacity as limited partner) in any of the following circumstances: (a) on the insolvency or analogous event occurring in respect of the Operator; (b) if the Operator is no longer permitted by applicable laws, rules and regulations to provide its services under the Operating Agreement; and (c) if the Investment Adviser is removed or replaced in accordance with the Investment Advisory Agreement, save that in the case of (a) and (b), the General Partner shall, if so required by Babcock & Brown, novate the Operating Agreement in favour of another member of the Babcock & Brown group that is reasonably acceptable to Luxco 2 in its capacity as limited partner, who is not insolvent and who can provide the services in accordance with relevant laws and regulations.

The Operating Agreement provides that the Partnership shall indemnify the Operator and its officers, directors, employees and agents for losses of any nature arising in connection with the Operating Agreement (except where fraud, gross negligence or wilful default are involved on the part of the Operator or its officers, directors, employees or agents). The Operating Agreement also provides that the Operator shall have no liability to the Company or to any Shareholder except for losses resulting from the gross negligence, wilful default or fraud of the Operator or any of its employees.

10.5 Administration Agreement

Pursuant to an administration agreement dated 10 October 2006, between the Company and the Administrator (the **"Administration Agreement"**), the Administrator was appointed to provide administrative and company secretarial services to the Company. Such services include (*inter alia*) maintaining the Company's books and records, preparing interim and annual accounts of the Company, calculating the NAV of the Ordinary Shares, arranging for and administering the issue of shares in the Company and providing such other services as are customarily provided by administrators in Guernsey of Guernsey companies. In the performance of its duties under the Administration Agreement, the Administrator shall at all times be subject to the control and review of the Board.

The fees of the Administrator under the Administration Agreement are described in Part I of this document under the heading **"Administration Fees"**. The Administrator shall also be entitled to receive all reasonable and properly evidenced out of pocket expenses incurred by it in the performance of its duties under the Administration Agreement.

The Administration Agreement can be terminated by either party on 90 days' written notice to the other. The Administration Agreement may also be terminated immediately by either party: (a) on the insolvency (or analogous event) occurring in respect of the other party; or (b) in the case of a breach by the other party which remains unremedied for 30 days after such party has been notified of the breach. The appointment of the Administrator shall be terminated immediately if the Administrator ceases to be licensed by the Guernsey Financial Services Commission to provide the services under the Administration Agreement.

The Administration Agreement provides that the Administrator shall not be liable for any loss or damage suffered by the Company as a result of the Administrator carrying out its duties under the Administration Agreement unless the loss or damage arises out of the Administrator's fraud, negligence, wilful default or breach of the Administration Agreement. The Company has indemnified the Administrator against any liabilities of whatever nature arising out of the Administrator properly performing its duties under the Administration Agreement (provided that fraud, negligence, wilful default or breach of the Administration Agreement on the part of the Administrator is absent).

10.6 Domiciliation Agreements

Each of Luxco 1 and Luxco 2 has entered into a domiciliation agreement (the **"Domiciliation Agreement"**), each dated 9 October 2006, with the Domiciliation Agent, who provides domiciliation services to the Luxcos in consideration for the fees described in Part I of this Prospectus.

Each of the Domiciliation Agreements can be terminated by either party on one month's notice or immediately on the occurrence of a limited number of circumstances. Each of Luxco 1 and Luxco 2 has provided an indemnity to the Domiciliation Agent in regard of any damages arising out of it carrying out the services under the relevant Domiciliation Agreement (save in cases that involve negligence, fraud, serious or wilful misconduct or breaches of that Domiciliation Agreement on the part of the Domiciliation Agent).

10.7 Issue Agreement

Pursuant to the Issue Agreement dated 17 March 2008 between the Company the Joint Lead Managers and the Investment Adviser, the Joint Lead Managers were appointed as the Company's placing agents.

The Issue Agreement contains certain representations and warranties from the Company and the Investment Adviser to the Joint Lead Managers concerning, amongst other things, the Company's authority to issue the C Shares and the accuracy of the prospectus for the Issue. The Joint Lead Managers also have the benefit of an indemnity from the Company and the Investment Adviser in relation to liabilities incurred by the Joint Lead Managers in the discharge of their respective duties under the Issue Agreement save (amongst other things) to the extent that the same are determined by a court of competent jurisdiction or by agreement between the parties to have arisen as a result of fraud, negligence or wilful default of the relevant Joint Lead Manager or its associates.

The Investment Adviser has the benefit of a counter indemnity from the Company in respect of any claims by the Joint Lead Managers against the Investment Adviser save that such counter indemnity is limited to amounts recovered by or on behalf of the Company and any of the Holding Entities from any person (other than the Investment Adviser) in connection with the Issue.

Further details of the Issue Agreement are included in Part VI of this document.

10.8 Registrar Agreement

Pursuant to a registrar agreement dated 10 October 2006, between the Company and the Registrar, (the **"Registrar Agreement"**) the Registrar was appointed to act as the Company's registrar in Guernsey.

The Registrar Agreement may be terminated by either the Company or the Registrar giving to the other three months' written notice expiring at any time. In the case of the Company serving such notice on the Registrar, such notice must expire after the first anniversary of the date of the Registrar Agreement. The Registrar Agreement may also be terminated immediately by either party:

(a) on the insolvency (or analogous event) occurring in respect of the other party; or (b) in the case of a breach by the other party which remains unremedied for 30 days after such party has been notified of the breach. In addition, the Company may terminate the Registrar Agreement if, in the opinion of the Directors the Registrar is guilty of fraud wilful default or gross negligence in the performance of its duties under the Registrar Agreement; or if the Registrar ceases to be the holder of any licence, consent, permit or registration enabling it to act as registrar of the Company; or if the Registrar chooses to increase its fees in any annual review thereof.

The fees of the Registrar under the Registrar Agreement are described in Part I of this document under the heading **"Registrar and Transfer Agency Fees"**. The Registrar shall also be entitled to receive all reasonable out of pocket expenses properly incurred by it in the performance of its duties under the Registrar Agreement, and will be entitled to recover from the Company various disbursements including postage, printing, telephone and CREST transaction costs.

The Registrar Agreement provides that the Company shall indemnify the Registrar and its agents, officers and employees from and against any and all liabilities that they may incur in connection with the Registrar Agreement, save in the case of fraud, negligence or wilful default of the Registrar or its agents, officers and employees (or as may be due to any breach of the terms of the Registrar Agreement). The aggregate liability of the Registrar under the Registrar Agreement is limited to the lesser of £1,000,000 or an amount equal to ten times the annual fee payable to the Registrar under the Registrar Agreement.

10.9 Receiving Agent Agreement

Pursuant to a receiving agent agreement dated 17 March 2008 between the Company and the Receiving Agent (the **"Receiving Agent Agreement"**), the Receiving Agent agrees to provide receiving agent services to the Company. The Company agrees to indemnify the Receiving Agent (and its subsidiary and parent undertakings from time to time) against all reasonable losses, costs and expenses which the Receiving Agent may suffer or incur as a result of the Company's or the Company's representatives (including the representatives of the Sponsor) acts of negligence, wilful or fraudulent acts or omissions, subject to the Receiving Agent's duty of mitigation.

The Company shall also indemnify the Receiving Agent against all reasonable losses, costs and expenses arising out of events that are beyond its reasonable control or where the Receiving Agent has acted properly in its role as receiving agent.

The Company also indemnifies the Receiving Agent against all reasonable losses, costs and expenses which it may suffer or incur as a result of any breach and/or non-compliance by the Company with any legal, quasi-legal or regulatory requirement applicable to the Offer for Subscription.

Subject to the Receiving Agent receiving compensation or its fees in respect of its time spent in providing receiving agent's services, either party may terminate the Receiving Agent Agreement by giving written notice: either before the Offer for Subscription opens; or, during the Offer for Subscription, if there has been, or is likely to be, a breach of the Receiving Agent Agreement or the relevant financial regulations.

The Receiving Agent is entitled to receive various fees, including a fee of £3.95 per application under the Offer per Subscription (subject to a minimum fee of £6,500) together with properly incurred expenses.

10.10 Financial Advisory Mandate

The Company has entered into a financial advisory mandate with the Arranger dated 10 October 2006 (the “**Financial Advisory Mandate**”) pursuant to which the Arranger has been granted the first and last right of refusal to provide financial advisory and investment banking services to the Group in respect of future acquisitions and disposals, financing, equity raisings, refinancing, restructuring and certain other related activities.

Where such right has been taken up, as is the case with respect to the Acquisition and the Placing and Offer for Subscription, the Arranger is engaged to provide such services to the Group, and it will be entitled to certain advisory fees including, in respect of acquisitions, up to 1.5 per cent. of the Enterprise Value of investments acquired; and in respect of equity capital raising, an amount agreed between the Group and the Arranger. The Company has in connection with advisory services provided by the Arranger for the Issue agreed a fee of 1.5 per cent. of the gross Issue proceeds (the Financial Advisory Fee) consistent with the financial advisory fee paid to the Arranger for the Initial Public Offer. Accordingly, under the terms of the Financial Advisory Mandate, in connection with the Acquisition and the Issue, the Arranger is entitled to a fee of 1.5 per cent. of the Price (the Acquisition Advisory Fee) and the Financial Advisory Fee. However, if both the Issue and the Acquisition complete, the Arranger has agreed to waive a portion of the Financial Advisory Fee equal to the Acquisition Advisory Fee.

The Financial Advisory Mandate can only be terminated by the Company following the tenth anniversary of the date of the Financial Advisory Mandate if all of the following conditions are satisfied: (a) the Company has formed the view (such view to be formed acting reasonably after due enquiry of the Arranger) that the Arranger no longer possesses or can no longer procure sufficient resources (including suitably qualified personnel) to provide, or cause to be provided, financial advisory services to the Group to a standard which is competitive with those services generally available from similar parties in the European market; and (b) the Company has given written notice to that effect to the Arranger; and (c) within 30 days of receipt of such notice, the Arranger has been unable to materially address such concerns to a level acceptable to the Company (acting reasonably); and (d) within 10 days following such 30 day period, the Company has given to the Arranger written notice to that effect, together with not less than six months and not more than 12 months written notice of termination of the Financial Advisory Mandate.

The Financial Advisory Mandate can be terminated by the Arranger (but not by the Company) upon not less than six months’ prior written notice to the Company.

The Financial Advisory Mandate provides that individual transaction mandates arising out of it shall include a number of set terms including the provision of an indemnity by the Company its related parties and their respective officers employees and agents against all reasonable costs, charges expenses or liabilities properly incurred in carrying out the services under such mandate, except where such costs: arise out of the negligence, default, fraud, dishonesty or breach of the terms of the mandate by the Arranger; or are the administration costs or overheads of the Arranger.

Each such individual transaction mandate is also required to contain terms limiting the liability of the Arranger in properly carrying out its services to direct loss of a maximum of the fees received or receivable by the Arranger under the individual transaction mandate. The Arranger will not, in any event, be liable for any indirect, special, punitive or consequential loss or damages, howsoever arising.

11. AVAILABILITY OF THIS PROSPECTUS

Copies of this document are available for viewing only during normal Business Hours, free of charge, at the Document Viewing Facility, the Financial Services Authority, 25 North Colonnade, Canary Wharf, London E14 5HS.

Copies of this document may be collected, free of charge during normal Business Hours, from BBIML at 15th Floor, 5 Aldermanbury Square, London EC2V 7HR or from the registered office of the Company.

12. GENERAL

12.1 The Issue of the C Shares is not underwritten.

12.2 The Company is a closed-ended investment company incorporated under the laws of Guernsey. The Company is not (and is not required to be) regulated or authorised by the FSA but in common with other investment companies admitted to the Official List, is subject to the Listing Rules and the Disclosure Rules and is bound to comply with applicable law such as the relevant parts of FSMA.

12.3 The Group is not, nor has been since its establishment, involved in any governmental, legal or arbitration proceedings. So far as the Group is aware, there are no governmental, legal or arbitration proceedings pending or threatened by or against it which may have, or since establishment of the Group have had, a significant effect on the Group’s financial position or profitability.

12.4 The Issue Price of 100 pence per C Share represents a premium of 99.99 pence over its nominal value of 0.01 pence. No expenses are to be charged directly to any placee or subscriber pursuant to the Issue.

12.5 PricewaterhouseCoopers LLP (“**PwC**”) has given and has not withdrawn its consent to the inclusion of the Valuation Report in the Appendix to Part IV of this document in the form and context in which it is included and has authorised the contents

of the Valuation Report for the purposes of item 5.5.3R(2)(f) of the Prospectus Rules of the UK Listing Authority. PwC's address is 1 Embankment Place, London WC2 N 6RH. PwC is authorised and regulated by Financial Services Authority for designated investment business.

- 12.6 The Company complies with the corporate governance obligations which apply to Guernsey registered companies.
- 12.7 The Company's audit committee is comprised of all the Directors. The audit committee has the following remit to meet bi-annually and to consider, *inter alia*:
- (a) annual and interim accounts;
 - (b) auditor reports; and
 - (c) terms of appointment and remuneration for the Auditors (including overseeing the independence of the auditor particularly as it relates to the provision of non-audit services).
- 12.8 The Company has not so far established a separate remuneration committee as the Directors are satisfied that any relevant issues can be properly considered by the Directors as a whole.
- 12.9 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 12.10 The Company has not had any employees since its incorporation and does not own any premises.
- 12.11 The C Shares will be created and issued by the Company in accordance with the provisions of the Articles and the Laws.
- 12.12 The City Code on Takeovers and Mergers (the "**City Code**") applies to the Company. The Ordinary Shares are, and the C Shares will be, subject to the rules regarding mandatory takeover offers set out in the City Code. Under Rule 9 of the City Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent of the voting rights of the company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights, then in either case that person together with the persons acting in concert with him is normally required to make a general offer in cash, at the highest price paid by him, or any person acting in concert with him, for shares in the company within the preceding 12 months, for all the remaining equity share capital of the Company.
- 12.13 The Company will comply with the investment restrictions imposed by the Listing Rules from time to time. As at the date of this Prospectus, the Listing Rules require that the Company:
- (a) must, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its investment policy set out in Part I of this Prospectus (as the same may be amended in accordance with the Listing Rules);
 - (b) must not conduct any trading activity which is significant in the context of the Group as a whole; and
 - (c) should avoid cross-financing between businesses forming part of the Investment Portfolio and the operation of common treasury functions as between the Company and any of its investee companies.

12.14 Documents for Inspection

Copies of the following documents may be inspected at the offices of Lovells LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG and at the registered office of the Company during normal Business Hours on any day (except Saturdays, Sundays and public holidays) from the date of this document until the Offer for Subscription and Placing closes:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Valuation Report;
- (c) the annual report and consolidated financial statements of the Group for the period ended 31 December 2006 and year ended 31 December 2007;
- (d) the terms of appointment of the Directors referred to in paragraph 5.2 above;
- (e) the material contracts referred to in paragraph 10 above; and
- (f) this Prospectus.

Dated 18 March 2008

Part XI Checklist of documentation incorporated by reference

Information incorporated by reference	Reference in Prospectus
Annual report and accounts of the Group for the period ended 31 December 2006 including the following audited financial information: • Consolidated balance sheet; • Consolidated income statement; • Consolidated statement of changes in equity; • Consolidated cash flow statement; and • Notes to the consolidated financial statements including the Group's accounting policies	Part X
Annual report and accounts of the Group for the period ended 31 December 2007 including the following audited financial information: • Consolidated balance sheet; • Consolidated income statement; • Consolidated statement of changes in equity; • Consolidated cash flow statement; and • Notes to the consolidated financial statements including the Group's accounting policies	Part X

Notices to Overseas Investors

This document has been approved by the FSA as a prospectus which may be used to offer securities to the public for the purposes of section 85 FSMA and Directive 2003/7/EC. No arrangement has however been made with the competent authority in any other EEA State (or any other jurisdiction) for the use of this document as an approved prospectus in such jurisdiction and accordingly no public offer is to be made in such jurisdictions. Issue or circulation of this document may be prohibited in countries other than those in relation to which notices are given below. This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, shares in any jurisdiction in which such offer or solicitation is unlawful.

FOR THE ATTENTION OF AUSTRALIAN INVESTORS

This offer is made in Australia pursuant to section 708 of the Corporations Act 2001 (Australia) and as such no prospectus or other form of disclosure document in relation to the C Shares has been lodged with the Australian Securities and Investments Commission. This document does not constitute an offer in Australia other than in the circumstances described in section 708 of the Corporations Act 2001 (Australia). In addition, by subscribing for C Shares you undertake to the Company that, for a period of 12 months from the date of issue of the C Shares, you will not transfer any interest in C Shares to any person in Australia other than a person to whom an exemption in section 708 of the Corporations Act 2001 (Australia) applies. By submitting an application for C Shares you represent and warrant to the Company that an exemption in section 708(8) (sophisticated investor) or 708(11) (professional investor) of the Corporations Act 2001 (Australia) applies to you.

FOR THE ATTENTION OF BELGIAN INVESTORS

The C Shares are only offered in Belgium as part of a private placement and may not be publicly offered, sold, traded or commercialised in Belgium. The C Shares are being offered in Belgium only to a limited number of Belgian-based institutional investors as defined in article 10.1 of the Law of 21 June 2006 concerning the public offering and admission to trading of securities (the "Prospectus Law"), in all cases under circumstances designed to preclude a distribution which would be a public offering within the meaning of Article 3.1 of the Prospectus Law. This document may not be reproduced or used for any purpose, nor be furnished to any other person other than those to whom copies have been sent.

FOR THE ATTENTION OF DUTCH INVESTORS

The C Shares are only offered by means of this document and are not, may not and will not be offered, distributed, sold, transferred or delivered, directly or indirectly, in or from the Netherlands, to any person other than employees and/or subsidiaries of the Company, or individuals or legal entities which trade or invest in investment objects or securities in the conduct of their profession or business within the meaning of section 1 of the Exemption Regulation pursuant to the Act on the Supervision of Collective Investment Schemes ("Vrijstellingsregeling Wet toezicht beleggingsinstellingen") or which are professional market parties within the meaning of section 1(c) of the Exemption Regulation pursuant to the Act on the Supervision of Securities Trade 1995 ("Vrijstellingsregeling Wet toezicht effectenverkeer 1995"), including, but not limited to banks, brokers, dealers, pension funds, insurance and/or securities institutions, investment institutions and other institutional investors, including among others, treasuries of large enterprises.

FOR THE ATTENTION OF FRENCH INVESTORS

This document has not received the visa of the French Autorité des marchés financiers (the "AMF"), and will not otherwise be submitted to the clearance procedures of the AMF. Accordingly, the C Shares will not be offered by way of a public offering in France (*appel public à l'épargne*). Neither this document nor any offering information or information contained herein relating to the C Shares may be used, released, issued or distributed or caused to be released, issued or distributed in connection with any offer or sale to the public to purchase any shares in France. Any offer to purchase the C Shares and any sale thereof will only be made in France by the Company or its agents in accordance with the provisions of Articles L. 411-2 and D. 411-1 (relating to offers to qualified investors) of the French Code monétaire et financier (the "French Monetary and Financial Code") and with the provisions of the general regulation (*Règlement général*) of the AMF. Purchasers may purchase the C Shares only if they qualify as qualified investors acting on their own account ("investisseurs qualifiés" as defined in Articles L. 411-2-II, 4° and D. 411-1 of the French Monetary and Financial Code) and may, directly or indirectly, transfer the C Shares to the public in France only in accordance with Articles L. 411-1, L. 411-2, L. 412-1 and L. 621-8 to L. 621-8-3 of the French Monetary and Financial Code.

FOR THE ATTENTION OF GERMAN INVESTORS

The C Shares may not be offered, promoted or distributed, directly or indirectly, to the public in Germany. The Joint Lead Managers are making this document available in Germany to a limited number of less than 50 individually selected members of their existing customer base only. These members are only institutional investors. This document is only directed to such recipients to whom it is directly addressed; it is not directed to the public in Germany and may not be disseminated to the public in Germany.

FOR THE ATTENTION OF IRISH INVESTORS

This document is being distributed in Ireland only to, and is directed only at persons who are (i) investment business firms authorised under section 10 of the Investment Intermediaries Act, 1995 or (ii) are persons to whom this document may otherwise lawfully be issued or passed on (all such persons together also being referred to as "relevant persons"). No offer, sale, underwriting or placement of the C Shares in, from or otherwise involving Ireland shall occur other than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland, EU prospectus law (as such term is defined in section 38 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland), and the Investment Intermediaries Act 1995, of Ireland (as amended).

The Company shall not advertise or market the C Shares in any way in Ireland without the prior approval of the Irish financial regulator. The Company is not supervised by the Irish financial regulator and the Company is not otherwise supervised or authorised in Ireland. It is incorporated in Guernsey and is supervised by the Guernsey Financial Services Commission.

FOR THE ATTENTION OF ITALIAN INVESTORS

The Company has not been and will not be registered under the Italian Legislative Decree no. 58 of 24 February 1998, as amended, and implementing regulations thereof.

The C Shares have not and will not be authorised for distribution or marketing, directly or indirectly, in Italy and no offer, invitation to offer or other solicitation to subscribe for the C Shares may be made in Italy.

FOR THE ATTENTION OF LUXEMBOURG INVESTORS

The C Shares may not be offered or sold within the territory of the Grand-Duchy of Luxembourg unless:

- (a) a prospectus has been approved by the Commission de Surveillance du Secteur Financier in accordance with the Law of 10 July 2005 on prospectuses for securities (the "Prospectus Law") implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading (the "Prospectus Directive") if Luxembourg is the home member state (as defined in the Prospectus Law); or
- (b) if Luxembourg is not the home member state, the Commission de Surveillance du Secteur Financier has been notified by the competent authority in the home member state of the Company that the prospectus has been duly approved in accordance with the Prospectus Directive; or
- (c) the offer is made to (1) legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities, or (2) any legal entity which has two or more of (a) an average of at least 250 employees during the financial year; (b) a total balance sheet of more than €43,000,000 and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts, or (3) another Qualified Investor within the meaning of the Prospectus Law or the offer benefits from an exemption to or constitutes a transaction not subject to, the requirement to publish a prospectus in Luxembourg.

FOR THE ATTENTION OF NORWEGIAN INVESTORS

This document has not been produced in accordance with the prospectus requirements laid down in the Norwegian Securities Trading Act 1997 nor in accordance with the prospectus requirements laid down in the Norwegian Securities Fund Act 1981 as amended. This document has not been approved or disapproved by, or registered with, either the Oslo Stock Exchange or the Norwegian Registry of Business Enterprises.

This document is only and exclusively addressed to the addressees and can not be distributed, offered or presented, either directly or indirectly to other persons or entities domiciled in Norway without the prior consent of the Joint Lead Managers.

FOR THE ATTENTION OF SPANISH INVESTORS

Neither the offer of the C Shares nor this document have been verified or registered with the Spanish Securities Market Commission (Comision Nacional del Mercado de Valores) and the C Shares will not be offered, sold or distributed in Spain save in accordance with the requirements of the Spanish Securities Market Law of 28 July 1988 and Royal Decree 1310/2005 of 4 November, on Securities Markets, each as amended from time to time.

FOR THE ATTENTION OF SWEDISH INVESTORS

The C Shares may not be offered to the public in Sweden. This document is only directed to such recipients to whom it is directly addressed and may not be copied or, directly or indirectly, be distributed or made available to other persons without the express consent of the Joint Lead Managers.

FOR THE ATTENTION OF SWISS INVESTORS

The C Shares have not been authorised for distribution as a foreign investment fund by the Swiss Federal Banking Commission pursuant to Article 45 of the Swiss Federal Investment Fund Act of 18 March 1994, as amended. Accordingly, the C Shares may not and will not be sold, marketed or otherwise distributed in or from Switzerland by way of public advertising ("öffentliche Werbung") within the meaning of the Swiss Federal Investment Fund Act and its implementing ordinances and notices. As such the C Shares are only offered pursuant to this document to a limited number of investors in Switzerland by way of private placement, without any public offering in accordance with the Swiss Federal Investment Fund Act and its implementing ordinances and notices. This document may only be used by those persons to whom it has been distributed in connection with the Issue described in this document.

FOR THE ATTENTION OF US INVESTORS

The C Shares offered by this document have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws and may not be offered or sold directly or indirectly in or into the United States, or to or for the account or benefit of any US person (within the meaning of Regulation S under the Securities Act).

FOR THE ATTENTION OF ONTARIO INVESTORS

This document is not, and under no circumstances is it to be construed as, a prospectus, an advertisement or a public offering of the securities described herein in Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

REPRESENTATIONS AND AGREEMENTS BY INVESTORS

The Issue is being made in Canada only in the Province of Ontario by way of a private placement of C Shares. The Issue in Ontario is being made pursuant to this Prospectus through the Joint Lead Managers named in this Prospectus or through their selling agents who are permitted under applicable law to distribute such securities in Ontario. Each investor in Ontario who purchases the C Shares will be deemed to have represented to the Company, the Investment Adviser and the Joint Lead Managers that: (1) the offer and sale was made exclusively through this Prospectus and was not made through an advertisement of the C Shares in any printed media of general and regular paid circulation, radio, television or telecommunications, including electronic display, or any other form of advertising in Canada; (2) such investor has reviewed the terms referred to below under “Canadian Resale Restrictions”; (3) where required by law, such investor is, or is deemed to be, acquiring the C Shares as principal for its own account in accordance with the laws of Ontario and not as agent or trustee; (4) such investor or any ultimate investor for which such investor is acting as agent is entitled under applicable Canadian securities laws to acquire the C Shares without the benefit of a prospectus qualified under such securities laws, and without limiting the generality of the foregoing, such investor, or any ultimate investor for which such investor is acting as agent is (a) an “accredited investor”, other than an individual, as defined in section 1.1 of National Instrument 45-106—*Prospectus and Registration Exemptions* (“NI 45-106”) and is a person to which a dealer registered as an international dealer within the meaning of section 98 of Regulation 1015 to the *Securities Act* (Ontario) (the “OSA”) in Ontario may sell the C Shares or (b) an “accredited investor”, including an individual, as defined in NI 45-106 who is purchasing the C Shares from a fully registered dealer within the meaning of section 204 of Regulation 1015 to the OSA; and (5) such investor, if not an individual or an investment fund, has a pre-existing purpose and was not established solely or primarily for the purpose of acquiring the C Shares in reliance on an exemption from applicable prospectus requirements in Ontario.

Each resident of Ontario who purchases the C Shares will be deemed to have represented to the Company and the Joint Lead Managers that such investor: (a) has been notified by the Company that (i) the Company is required to provide information (“personal information”) pertaining to the investor as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the number and value of any C Shares purchased), which Form 45-106F1 is required to be filed by the Company under NI 45-106; (ii) such personal information will be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106; (iii) such personal information is being collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario; (iv) such personal information is being collected for the purposes of the administration and enforcement of the securities legislation of Ontario; and (v) the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administration Assistant to the Director of Corporate Finance at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-8086; and (b) has authorized the indirect collection of the personal information by the OSC. Further, the investor acknowledges that its name, address, telephone number and other specified information, including the number of C Shares it has purchased and the aggregate purchase price to the investor, may be disclosed to other Canadian securities regulatory authorities and may become available to the public in accordance with the requirements of applicable laws. By purchasing the C Shares, each investor in Ontario consents to the disclosure of such information.

AGREEMENT BY THE JOINT LEAD MANAGERS

Each Joint Lead Manager has represented and agreed that the C Shares will be offered or sold, directly or indirectly, in Canada only in the Province of Ontario and in compliance with applicable Canadian securities laws and accordingly, any sales of C Shares will be made (i) through an appropriately registered securities dealer in accordance with the requirements of applicable provincial securities laws and (ii) pursuant to an exemption from the prospectus requirements of such laws.

CANADIAN RESALE RESTRICTIONS

The distribution of the C Shares in the Ontario is being made on a private placement basis. Accordingly, any resale of the C Shares must be made (i) through an appropriately registered dealer or in accordance with an available exemption from the dealer registration requirements of applicable provincial securities laws and (ii) in accordance with, or pursuant to an exemption from, the prospectus requirements of such laws. Such resale restrictions may not apply to resales made outside of Canada, depending on the circumstances. Investors in C Shares are advised to seek legal advice prior to any resale of C Shares.

The Company is not, and may never be, a “reporting issuer”, as such term is defined under applicable Canadian securities legislation, in any province or territory of Canada and there currently is no public market for any of the securities of the Company, including the C Shares, in Canada and one may never develop. Under no circumstances will the Company be required to file a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the C Shares to the public in any province or territory of Canada. Canadian investors are advised that the Company currently has no intention of filing a prospectus or similar document with any securities regulatory authority in Canada qualifying the resale of the C Shares to the public in any province or territory in Canada.

RIGHTS OF ACTION FOR DAMAGES OR RESCISSION

Securities legislation in Ontario provides some investors in C Shares pursuant to this Prospectus with a remedy for damages or rescission, or both, in addition to any other rights they may have at law, where this Prospectus or any amendment to it, contains

a “Misrepresentation”. Where used herein, “Misrepresentation” means an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make any statement not misleading in light of the circumstances in which it was made. These remedies, or notice with respect to these remedies, must be exercised or delivered, as the case may be, by the investor within the time limits prescribed by the applicable securities legislation.

Section 130.1 of the OSA provides that every purchaser of securities pursuant to an offering memorandum (such as this Prospectus) shall have a statutory right of action for damages or rescission against the issuer in the event that the offering memorandum contains a Misrepresentation. A purchaser who purchases securities offered by the offering memorandum during the period of distribution has, without regard to whether the purchaser relied upon the Misrepresentation, a right of action for damages or, alternatively, while still the owner of the securities, for rescission against the issuer provided that:

- (a) if the purchaser exercises its right of rescission, it shall cease to have a right of action for damages as against the issuer;
- (b) the issuer will not be liable if it proves that the purchaser purchased the securities with knowledge of the Misrepresentation;
- (c) the issuer will not be liable for all or any portion of damages that it proves do not represent the depreciation in value of the securities as a result of the Misrepresentation relied upon; and
- (d) in no case shall the amount recoverable exceed the price at which the securities were offered.

Section 138 of the OSA provides that no action shall be commenced to enforce these rights more than:

- (a) in the case of an action for rescission, 180 days from the day of the transaction that gave rise to the cause of action; or
- (b) in the case of an action for damages, the earlier of:
 - (i) 180 days from the day that the purchaser first had knowledge of the facts giving rise to the cause of action; or
 - (ii) three years from the day of the transaction that gave rise to the cause of action.

The rights referred to in section 130.1 of the OSA do not apply in respect of an offering memorandum (such as this Prospectus) delivered to a prospective purchaser in connection with a distribution made in reliance on the exemption from the prospectus requirement in section 2.3 of NI 45-106 (the “accredited investor exemption”) if the prospective purchaser is:

- (a) a Canadian financial institution (as defined in NI 45-106) or a Schedule III bank,
- (b) the Business Development Bank of Canada incorporated under the *Business Development Bank of Canada Act* (Canada), or
- (c) a subsidiary of any person referred to in paragraphs (a) or (b), if the person owns all of the voting securities of the subsidiary, except the voting securities required by law to be owned by directors of that subsidiary.

The foregoing summary is subject to the express provisions of the OSA and the rules, regulations and other instruments thereunder, and reference is made to the complete text of such provisions contained therein. Such provisions may contain limitations and statutory defences on which the Company may rely. *Prospective investors should refer to the applicable provisions of the relevant securities legislation and are advised to consult their own legal advisers as to which, or whether any, of such rights may be available to them.* The enforceability of these rights may be limited as described herein under “Enforcement of Legal Rights”.

The rights of action discussed above will be granted to the investors to whom such rights are conferred upon acceptance by the relevant Joint Lead Manager of the purchase price for the C Shares. The rights discussed above are in addition to and without derogation from any other right or remedy which investors may have at law.

ENFORCEMENT OF LEGAL RIGHTS

All of the directors and officers (or their equivalents) of the Company and the Investment Adviser, as well as any experts named herein, may be located and resident outside of Canada and, as a result, it may not be possible for investors to effect service of process within Canada upon the Company, the Investment Adviser or such experts. All or a substantial portion of the assets of the Company, the Investment Adviser and such experts may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against the Company, the Investment Adviser or such experts in Canada or to enforce a judgment obtained in Canadian courts against the Company, the Investment Adviser or such experts outside of Canada.

CANADIAN TAX CONSIDERATIONS AND ELIGIBILITY FOR INVESTMENT

This Prospectus does not address the Canadian tax consequences of ownership of the C Shares. Prospective investors in C Shares should consult their own tax advisers with respect to the Canadian and other tax considerations applicable to their individual circumstances and with respect to the eligibility of the C Shares for investment by purchasers under relevant Canadian legislation.

FORWARD-LOOKING INFORMATION

This Prospectus may contain “forward-looking information” (“FLI”) as such term is defined under section 1.1 of the OSA. FLI is disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information (“FOFI”) with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. “FOFI” is FLI about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action, and presented in the format of a historical balance sheet, income statement or cash flow statement. Similarly, a financial outlook is FLI about prospective results of operations, financial position or cash flows that is based on assumptions about future economic conditions and courses of action that is not presented in the format of a historical balance sheet, income statement or cash flow statement. Canadian investors should not rely on any FLI that may be contained within this Prospectus as such information is subject to a variety of risks, uncertainties and other factors that could cause actual results to differ materially from expectations.

Upon receipt of this Prospectus, each Canadian investor hereby acknowledges and agrees that any FLI included herein should not be considered material for the purposes of and may not have been prepared and/or presented consistent with National Instrument 51-102 - *Continuous Disclosure Requirements* and that the investor will not receive any additional information updating such FLI during any period that the Company is not a “reporting issuer” in any province or territory of Canada, other than as required under applicable securities laws and/or as agreed to in contract.

CURRENCY

The Issue Price, financial statements and certain other financial information disclosed in this Prospectus are presented in pounds sterling. The following table sets out for the periods indicated, the period-end and average Canadian Noon Rates⁽¹⁾ between Canadian dollars (“CAD”) and pounds sterling (expressed in CAD per GBP1.00):

Period ⁽²⁾	Period-end	Average
2007	1.9600	2.1486
2006	2.2824	2.0885
2005	2.0036	2.2066
2004	2.3062	2.3841
2003	2.3066	2.2882

(1) The term “Canadian Noon Rate” means the Bank of Canada noon exchange rate.

(2) Each reference to a year is a year ended 31 December.

On 13 March 2008, GBP1.00 = CAD1.9990, based on the Canadian Noon Rate.

These exchange rates are provided for the convenience of the reader only. No representation is made that the pound sterling amounts could have been converted into Canadian dollars at the above rates on any of the dates indicated or at any other rate.

For information on legislation relating to withholding taxes in respect of the C Shares, please refer to Part VIII of this Prospectus.

Definitions

“Acquisition”	means the acquisition of each of the assets constituting the C Share Seed Portfolio by the Partnership, or its wholly owned companies, on the terms and subject to the conditions of the Acquisition Agreements;
“Acquisition Advisory Fee”	means the fee of 1.5 per cent. of the Enterprise Value of an investment payable by the Company pursuant to the Financial Advisory Mandate;
“Acquisition Agreements”	means the sale and purchase agreements each dated on or around 14 March 2008 entered into between the General Partner for and on behalf of the Partnership, or its wholly owned companies, and the Vendors in connection with the Acquisition;
“Administration Agreement”	means the administration agreement between the Company and the Administrator dated 10 October 2006;
“Administrator”	means Heritage International Fund Managers Limited;
“Admission”	means admission of the C Shares to be issued pursuant to the Issue to the Official List and/or to trading on the London Stock Exchange as the context may require;
“Application Form”	means the application form attached to this Prospectus for use in connection with the Offer for Subscription;
“Arranger”	means Babcock & Brown Limited, a company incorporated in England and Wales (registered number, 02645511);
“Articles” or “Articles of Association”	means the articles of association of the Company in force from time to time;
“ASX”	means the Australian Stock Exchange;
“Auditors”	means the auditors from time to time of the Company, the current such auditors being Deloitte & Touche LLP, who are registered with the Institute of Chartered Accountants of England & Wales;
“Average Market Capitalisation”	means the average market capitalisation of the Company in respect of the relevant period calculated by reference to the Volume Weighted Average Price of the average number of Ordinary Shares for which a price is quoted on the London Stock Exchange for the last 20 LSE Trading Days in the relevant period;
“Babcock & Brown”	means Babcock & Brown Limited a company incorporated in Australia (registered number 53 108 614 955) or any wholly owned subsidiary or related entity;
“Base Fee”	means the annual asset management fee/profit share to which BBIML and the General Partner are in aggregate entitled to as described in Part I of this document under the heading “Base Fee”;
“BBIML”	means Babcock & Brown Investment Management Limited, a company incorporated in England and Wales (registered number 04071543) regulated and authorised by the FSA;
“Benchmark Return”	means the value of n in the following formula $n = AMC \times BRI:$ where AMC is the Average Market Capitalisation in respect of the relevant period; and BRI is the increase or decrease in the Benchmark Return Index over the relevant period expressed as a percentage based on the daily closing value of the Benchmark Return Index over the last 20 days of trading of Ordinary Shares in the relevant period (or if there have been less than 20 days of trading in the relevant period the average value on the days in the relevant period on which the Ordinary Shares traded or if there have been no trades, on the last day on which the Ordinary Shares traded compared with the value of this index in respect of the immediately preceding period (calculated on the same basis));

"Benchmark Return Index"	means an index measuring the accumulated value of the aggregate return obtained by investors in the Current 15 Year Gilt plus 2.5 per cent., taking into account interest paid and changes in capital value (and assuming that such interest is reinvested into the Current 15 Year Gilt on the date payable);
"BLAGAB"	means a basic life assurance and general annuity business;
"Board"	see "Directors" below;
"Business Day"	means any day (other than a Saturday or Sunday or bank holiday) on which commercial banks are open for business in London and Guernsey;
"Business Hours"	means the hours between 9.30 am. and 5.30 p.m. on any Business Day;
"Buyside Committee"	means the committee within Babcock & Brown representing the interests of the Company in respect of an acquisition;
"C Share Assets"	means those assets of the Group (including any income and revenue arising from or relating to such assets) that are attributable to the C Shares in accordance with the Articles;
"C Share Seed Portfolio"	means the portfolio of direct and indirect interests in Investment Capital which the Group has agreed to acquire from the Vendors as further described in Part IV of this document;
"C Shareholder"	means a holder of a C Share;
"C Shares"	means the temporary and separate class of Shares of 0.01 pence each in the capital of the Company to be issued under the terms set out in this Prospectus and having the rights set out in the Articles and "C Share" shall be construed accordingly;
"Calculation Time"	means the time by reference to which the Conversion Ratio is determined as described in Part I of this Prospectus;
"Capita Registrars"	means Capita Registrars Limited;
"CESR"	means The Committee of European Securities Regulators;
"City Code"	means the City Code on Takeovers and Mergers;
"Company"	means Babcock & Brown Public Partnerships Limited, a company incorporated in Guernsey (registered number 45241);
"Completion"	means the completion of the Acquisition in accordance with the Acquisition Agreements;
"Conversion"	means the conversion of the C Shares into Ordinary Shares;
"Conversion Date"	means the date on which Conversion occurs;
"Conversion Ratio"	means the ratio at which the C Shares convert into Ordinary Shares in accordance with the Articles;
"Court"	means the Royal Court of Guernsey;
"CPI"	means the Consumer Price Index Number for a particular Australian state or territory published by the Australian Bureau of Statistics;
"CREST"	means a paperless settlement procedure operated by Euroclear UK & Ireland enabling system securities to be evidenced otherwise than by written instrument;

“Current 15 Year Gilt”	means in respect of the relevant period, such 15 year fixed interest gilt (or gilt with 15 years remaining) issued by the UK Debt Management Office (or any replacement or successor to it) as the Directors shall, acting reasonably and in consultation with the Investment Adviser, select as the current 15 year gilt applicable at the commencement of such period (and for the period ending 31 December 2007, the current 15 year gilt shall be the “Treasury 8 per cent. 2021 Gilt”);
“Default Shares”	means Ordinary Shares in respect of which there is a default to disclose certain information to the Company in respect of interests in such Ordinary Shares as described in paragraph 9.8 of Part X;
“Directors” or “Board”	means the directors from time to time of the Company (or any duly constituted committee thereof) as the context may require, and “Director” is to be construed accordingly;
“Disclosure Rules”	means the disclosure rules and the transparency rules made by the FSA under section 73A of FSMA;
“Distributable Cash Flows”	means, in any year, (i) all cash received by the Group from its investments that is supported by a sufficiency of distributable reserves for accounting purposes and under the Laws, including but not limited to (a) interest payments on subordinated debt, (b) repayments of subordinated debt and (c) dividend payments, less (ii) management and advisory fees, interest on external borrowings, running costs and taxation;
“Domiciliation Agent”	means MAS Srl, who has been appointed as domiciliation agent to the Luxcos on the terms of the Domiciliation Agreements;
“Domiciliation Agreements”	means the domiciliation agreements between the Luxcos and the Domiciliation Agent dated 9 October 2006;
“EEA State”	means a state in the European Economic Area;
“Enterprise Value”	means the aggregate enterprise value of the relevant assets being acquired including risk capital and debt, but in the case of investments developed under PFI or PPP procurements and held by highly leveraged Project Entities, excluding the value of existing senior project level debt of such Project Entities, and any direct and indirect transaction costs in respect of such acquisition as at the date of acquisition;
“ERISA”	means the United States Employee Retirement Income Security Act of 1974 and the regulations promulgated thereunder (in each case as amended);
“EU”	means the European Union;
“Euroclear UK & Ireland”	means Euroclear UK & Ireland Limited, the operator of CREST;
“EVCA”	means the European Private Equity and Venture Capital Association;
“Existing Ordinary Share”	means an Ordinary Share that is in issue as at the date of this document and excludes any Ordinary Share that arises as a result of Conversion;
“Existing Portfolio”	means the portfolio of direct and indirect interests in Investment Capital held by the Group as at the date of this Prospectus and described in Part III of this Prospectus;
“Existing Shareholder”	means a holder of an Existing Ordinary Share;
“Fair Market Value”	means the amount for which an asset could be exchanged between willing parties who are under no compulsion to transact, who are acting for self interest and gain and both of whom are equally well informed about the C Share Seed Portfolio and the infrastructure market;

“Financial Advisory Fee”	means the fee of 1.5 per cent. of the proceeds of the Issue payable by the Company pursuant to the Financial Advisory Mandate;
“Financial Advisory Mandate”	means the financial advisory mandate in respect of corporate finance advisory work between the Company and the Arranger dated 10 October 2006;
“Force Majeure Circumstances”	means any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable notwithstanding that less than 80 per cent. of the C Share Assets have been invested in accordance with the Company’s investment policy;
“FSA”	means the UK Financial Services Authority;
“FSMA”	means the Financial Services and Markets Act 2000 of the United Kingdom, as amended;
“FTSE All Share”	means the FTSE All Share Index representing the aggregate of the FTSE 100, FTSE 250 and FTSE Small Cap indices;
“Further Investments”	means potential future direct and indirect interests in Investment Capital that may be acquired by the Company excluding the C Share Seed Portfolio;
“General Partner”	means Babcock & Brown Public Partnerships GP Limited a company incorporated in England and Wales (registered number 05938778) a member of the Babcock & Brown group;
“Gross Asset Value”	means the gross asset value of the Investment Portfolio calculated on a fair market basis and including (a) borrowings and other liabilities of any member of the Group; (b) subscription obligations of any member of the Group; and (c) firm commitments in respect of future assets or investments made by any member of the Group, but excluding: (a) such part of the proceeds of the Issue that are not invested or committed to be invested, until such time the relevant part of the Issue proceeds are invested or committed to be invested; and (b) any project debt liabilities of any Project Entity;
“Group”	means the Company, the Luxcos and the Partnership (together with their subsidiaries or companies wholly owned by them together, individually or in any combination as appropriate)
“HMRC”	means HM Revenue & Customs;
“Holding Entities”	means all or any of Luxco 1, Luxco 2 and the Partnership;
“IFRS”	means International Financial Reporting Standards;
“Incentive Fee”	means the performance related asset management fee/profit share in respect of each Incentive Period to which BBIML and the General Partner are in aggregate entitled to as described in Part I of this document under the heading “Incentive Fee”;
“Incentive Period”	means each period of six months ending on 30 June or 31 December;
“Independent Directors”	means the Directors that are independent of Babcock & Brown;
“Infrastructure Team”	means the infrastructure division of Babcock & Brown;
“Initial Public Offer”	means the initial public offering of the Existing Ordinary Shares by way of placing and offer for subscription;
“Interested Party”	means the Investment Adviser, the Administrator, the Domiciliation Agent, the Joint Lead Managers, any of their directors, officers, employees, agents and connected persons and the Directors and any person or company with whom they are affiliated or by whom they are employed;
“Investment Adviser”	means BBIML acting in its capacity as investment adviser to the Company pursuant to the Investment Advisory Agreement;

“Investment Advisory Agreement”	means the investment advisory agreement between the Investment Adviser and the Company dated 10 October 2006;
“Investment Capital”	means partnership equity, partnership loans, share capital, trust units, shareholder loans and/or debt interests in or to Project Entities;
“Investment Committee”	means the investment committee established by the Operator as described Part V of this Prospectus under the heading “Investment Approval”;
“Investment Company Act”	means the United States Investment Company Act of 1940;
“Investment Portfolio”	means the assets and investments from time to time owned by or held by or to the order of any member of the Group from time to time;
“IPO Prospectus”	means the prospectus issued by the Company in connection with the Initial Public Offer dated 11 October 2006;
“IRR”	means internal rate of return;
“ISA”	means Individual Savings Account;
“Issue”	means the issue of C Shares pursuant to the Placing and the Offer of Subscription;
“Issue Agreement”	means the issue agreement relating to the Issue between the Company, the Joint Lead Managers and the Investment Adviser, dated 17 March 2008;
“Issue Costs”	means the Issue expenses and Placing Fees detailed on pages 26 and 27, but excluding the Financial Advisory Fee and Acquisition costs;
“Issue Price”	means 100 pence per C Share;
“Joint Lead Managers”	means UBS Limited and Macquarie Capital (Europe) Limited;
“Laws”	means the Companies (Guernsey) Laws 1994 to 1996, as amended;
“Limited Partnership Agreement”	means the limited partnership agreement dated 10 October 2006 between the General Partner as a general partner and Luxco 2 as sole limited partner;
“Listing Rules”	means the listing rules made by the UK Listing Authority under section 73A of FSMA;
“London Stock Exchange”	means London Stock Exchange plc;
“LSE Trading Day”	means any day on which the main market of the London Stock Exchange is open for non-automated trading business;
“Luxco 1”	means Babcock & Brown Public Partnerships 1 Sàrl, a taxable company established in Luxembourg under the legal form of a Sàrl, a wholly owned subsidiary of the Company;
“Luxco 2”	means Babcock & Brown Public Partnerships 2 Sàrl, a taxable company established in Luxembourg under the legal form of a Sàrl, a wholly owned subsidiary of Luxco 1 and thereby a wholly owned indirect subsidiary of the Company;
“Luxcos”	means Luxco 1 and Luxco 2;
“Memorandum of Association”	means the memorandum of association of the Company;
“Net Asset Value” or NAV”	means the net asset value of the Company in total or (as the context requires) per Share calculated in accordance with the Company’s valuation policies and as described in Part I of this document under the heading “Valuations”;
“Net Issue Proceeds”	means the proceeds of the Issue, after deduction of the Issue Costs;

"NHS LIFT"	means the UK National Health Service LIFT (Local Improvement Finance Trust) initiative as described in Part II;
"OECD"	means the Organisation for Economic Co-operation and Development;
"Offer for Subscription"	means the offer for subscription to the public in the UK of C Shares on the terms set out in this Prospectus and the Application Form;
"Official List"	means the official list maintained by the UK Listing Authority;
"Operator"	means BBIML acting in its capacity as operator of the Partnership;
"Operating Agreement"	means the agreement between the Operator and the General Partner (for itself and for and on behalf of the Partnership), dated 10 October 2006, under which the Operator provides the services of an operator to the Partnership;
"Ordinary Share Return"	means the value of n in the following formula: $n = AMC \times OSRI;$ where AMC is Average Market Capitalisation in respect of the relevant period; and $OSRI$ is the movement in the Ordinary Share Return Index over the relevant period expressed as a percentage based on the average daily closing value of the Ordinary Share Return Index on the last 20 days of trading of Ordinary Shares on the London Stock Exchange in the relevant period compared with the average daily closing value of the Ordinary Share Return Index on the last 20 days of trading of Ordinary Shares on the London Stock Exchange in the immediately preceding relevant period;
"Ordinary Share Return Index"	means an index measuring the accumulated value of Ordinary Shares traded on the London Stock Exchange and taking into account any Company dividends and distributions paid (assuming that such dividends as distributions are reinvested in Ordinary Shares at the market price on the date payable) and changes in capital value of Ordinary Shares;
"Ordinary Shares"	means ordinary shares of 0.01 pence each in the capital of the Company;
"Partnership"	means Babcock & Brown Public Partnerships Limited Partnership, a limited partnership registered in England (registered number LP11596), the limited partnership which will hold and manage the Group's investments, as further described in paragraph 4 of Part X of this Prospectus;
"PFI"	means the Private Finance Initiative procurement model;
"Placing"	means the placing of the C Shares pursuant to the Issue Agreement, details of which are contained in this document;
"Placing Fees"	means the aggregate fees which the Joint Lead Managers are entitled to under the Issue Agreement as described in Part I of this document at page 27;
"PPP"	means the Public Private Partnership procurement model;
"Price"	means the aggregate consideration payable for the C Share Seed Portfolio and related payments as further described on page 47 of this document;
"Project Agreement"	means the agreement between a Project Entity and the Public Sector Client under which the Project Entity agrees to procure the construction of an infrastructure project and/or the provision of services in relation to that project;
"Project Entity"	means a special purpose entity (including any company, partnership or trust) formed to undertake an infrastructure project or projects or provide infrastructure services;
"Prospectus"	means this document;

“Prospectus Rules”	means the prospectus rules made by the FSA under section 73A of FSMA;
“Public Sector Client”	means a procuring client that is the public sector;
“Receiving Agent”	means Capita Registrars;
“Receiving Agent Agreement”	means the agreement dated 17 March 2008 between the Company and the Receiving Agent, pursuant to which the Receiving Agent agrees to provide receiving agent services to the Company in respect of the Issue;
“Registrar”	means Capita Registrars (Guernsey) Limited;
“Registrar Agreement”	means the registrar agreement between the Company and the Registrar dated 10 October 2006;
“Regulatory Information Service”	means a regulatory information service approved by the FSA and on the list of Regulatory Information Services maintained by the FSA;
“RPI”	means the UK retail price index;
“Sàrl”	means a société a responsabilité limitée;
“SDRT”	means Stamp Duty Reserve Tax;
“Securities Act”	means the United States Securities Act of 1933;
“Sellside Committee”	means the committee within Babcock & Brown to represent the interests of the vendors in respect of acquisitions including the Acquisition;
“Share”	means either or both of an Ordinary Share or a C Share (as the context requires);
“Shareholder”	means either a C Shareholder or an Ordinary Shareholder (as the context requires);
“SIPPs”	means self invested personal pensions;
“SOPARFIs”	means a société a participations financiers;
“Sponsor”	means UBS Limited, 1 Finsbury Avenue, London EC2M 2PP;
“Strategic Partnering Board”	means the strategic partnering board established under the NHS LIFT initiative relevant to each Project Entity carrying out a NHS LIFT project;
“TCGA 1992”	means the Taxation of Capital Gains Act 1992;
“UBS” or “UBS Investment Bank”	means UBS Limited;
“UK” or “United Kingdom”	means the United Kingdom of Great Britain and Northern Ireland;
“UK GAAP”	means the Generally Accepted Accounting Principles applicable in the UK;
“UK Listing Authority” or “UKLA”	means the Financial Services Authority in its capacity as a competent authority for listing in the UK pursuant to Part VI of FSMA;
“US or United States”	means the United States of America its territories and possessions any state of the United States and the District of Columbia;
“US Person” or “United States Person”	has the meaning given in Regulation S under the Securities Act;
“Valuation”	means the Directors’ calculation, having been advised by PwC, of a Fair Market Value of the interests in the underlying projects constituting the C Share Seed Portfolio as at 14 March 2008 as set out in Part IV;
“Valuation Report”	means the report prepared by PwC in relation to its opinion as to a fair market value of the interests in the underlying projects constituting the C Share Seed Portfolio as contained in the Appendix to Part IV;
“VAT”	means value added tax;

“Vendors”

means the vendors of the C Share Seed Portfolio being:

- (a) in respect of Orange Hospital, Pinnacle Infrastructure Pty Limited as trustee for the Pinnacle Infrastructure Unit Trust;
- (b) in respect of Brescia Hospital PPP, Babcock & Brown PPP S.r.l.; and
- (c) in respect of the Diabolo Project, Babcock and Brown European Investments Sàrl; and
- (d) in respect of the portfolio of subordinated debt issued in respect of NHS LIFT projects, Babcock & Brown Investment Holdings Pty Limited and Infracore Capital Limited;

“Volume Weighted Average Price”

means, in respect of any day on which an Ordinary Share is traded on the London Stock Exchange, the volume weighted average price per Ordinary Share for sales in those securities on the London Stock Exchange on that day, where each price is weighted by the number of Ordinary Shares sold at various prices that day.

Terms and Conditions of Application Under the Offer for Subscription

The C Shares are only suitable for investors who understand that there is a potential risk of capital loss, that there may be limited liquidity in the underlying investments of the Company, for whom an investment in the C Shares is part of a diversified investment programme and who fully understand and are willing to assume the risks involved in such an investment programme.

In the case of a joint Application, references to you in these terms and conditions of Application are to each of you, and your liability is joint and several. Please ensure you read these terms and conditions in full before completing the Application Form.

Unless otherwise defined herein, defined in the Prospectus shall have the same meaning in these terms and conditions and in the notes on how to complete the Application Form, and:

“Applicant” means a person or persons (in the case of joint applicants) whose name(s) appear(s) on the registration details (Box 2A) of an Application Form;

“Application” means the offer made by an Applicant by completing an Application Form and posting (or delivering) it to the Receiving Agent as specified in the Prospectus;

“Money Laundering Regulations” means the Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations 2007, the Guernsey Financial Services Commission’s Handbook for Financial Services Business on Countering Financial Crime and Terrorist Financing, and the Money Laundering Regulations 2007 as such may be amended, supplemented or replaced from time to time;

“Prospectus” means the prospectus dated 18 March 2008 published by the Company;

“Receiving Agent” means Capita Registrars and/or the Administrator as the context permits; and

“US Person” has the meaning given in Regulation S of the US Securities Act of 1933.

THE TERMS AND CONDITIONS

- (a) The contract created by the acceptance of an Application under the Offer for Subscription will be conditional on:
- (i) Admission becoming effective by not later than 8 a.m. (London time) on 22 April 2008 (or such later date as may be provided for in accordance with the terms of the Issue Agreement referred to in Part VI of the Prospectus),
 - (ii) the Issue Agreement referred to in Part VI of the Prospectus becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective; and
 - (iii) not less than 50 million C Shares being subscribed for in aggregate pursuant to the Issue.
- (b) The right is reserved by the Company to present all cheques and banker’s drafts for payment on receipt and to retain application monies and refrain from delivering an Applicant’s C Shares into CREST or issuing an Applicant’s C Shares in certificated form (as the case may be) pending clearance of the successful Applicant’s cheques and bankers drafts. The Company also reserves the right to reject in whole or part or to scale back or limit any Application. The Company may treat Applications as valid and binding if made in accordance with the prescribed instructions and the Company may, at its discretion, accept an Application in respect of which payment is not received by the Company prior to the closing of the Offer for Subscription. If any Application is not accepted in full or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Applicant’s cheque or banker’s draft or by crossed cheque in favour of the first-named Applicant, through the post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a separate account.
- (c) Under the Money Laundering Regulations 2007, Capita Registrars Limited may be required to verify the identity of persons who subscribe for in excess of £10,000 of C Shares under the Offer for Subscription.

The Receiving Agent may therefore undertake electronic searches for the purposes of verifying identity. To do so the Receiving Agent may verify the details against the Applicant’s identity, but also may request further proof of identity. The Receiving Agent reserves the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

Payments must be made by cheque or banker’s draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to Capita Registrars Limited A/C “Babcock & Brown Public Partnerships Limited”. Third party cheques will not be accepted with the exception of building society cheques or bankers’ drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque/bankers’ draft to such effect.

The account name should be the same as that shown on the Application.

The following is provided by way of guidance to reduce the likelihood of difficulties, delays and potential rejection of an Application Form (but without limiting the Receiving Agent’s right to require verification of identity as indicated above):

- (i) Applicants should make payment by a cheque drawn on an account in their own name; and
- (ii) if an Applicant makes the Application as agent for one or more persons, he should indicate on the Application Form whether he is a UK or EU regulated person or institution (for example a bank or stockbroker) and specify his status. If an Applicant is not a UK or EU regulated person or institution, he should contact the Receiving Agent.

- (d) By completing and delivering an Application Form, you, as the Applicant (and, if you sign the Application Form on behalf of somebody else or a corporation, that person or corporation, except as referred to in paragraph (viii) below):
- (i) offer to subscribe for the number of C Shares specified in your Application Form (or such lesser number for which your Application is accepted) on the terms of and subject to the Prospectus, including these terms and conditions, and subject to the Memorandum and Articles of Association of the Company;
 - (ii) agree that, in consideration of the Company agreeing to process your Application, your Application cannot be revoked until after 12.00 noon on 16 April 2008 (or such later time and date as the Directors may determine if they may postpone the closing of the Offer in accordance with the Prospectus) and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Application Form;
 - (iii) agree and warrant that your cheque or banker's draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive the C Shares until you make payment in cleared funds for the C Shares and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, and the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to its other rights) avoid the agreement to subscribe such C and may issue or allot such C Shares to some other person, in which case you will not be entitled to any payment in respect of such C Shares other than the refund to you at your risk of the proceeds (if any) of the cheque or bankers draft accompanying your application, without interest;
 - (iv) agree that (A) any monies returnable to you may be retained pending clearance of your remittance and the completion of any verification of identity required by the Money Laundering Regulations, and (B) monies pending allocation will be retained in a separate account and that such monies will not bear interest;
 - (v) undertake to provide satisfactory evidence of your identity within such reasonable time (in each case to be determined in the absolute discretion of the Company and the Receiving Agent) to ensure compliance with the Money Laundering Regulations;
 - (vi) agree that in respect of those C Shares for which your Application has been received and is not rejected, acceptance of your Application shall be constituted, at the election of the Company, either (i) by notification to the UK Listing Authority and the London Stock Exchange of the basis of allocation (in which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to the Receiving Agent;
 - (vii) authorise the Receiving Agent to procure that your name (together with the name(s) of any other joint Applicant(s)) or your nominee (e.g. CREST) is/are placed on the register of members of the Company in Guernsey in respect of such C Shares referred to in paragraph (vi) above and to send a crossed cheque for any monies returnable by post without interest at the risk of the persons entitled thereto to the address of the person (or in the case of joint holders, the first named person) named as an applicant in the Application Form;
 - (viii) warrant that if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation, and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Application Form;
 - (ix) agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed by and construed in accordance with Guernsey law, and that you submit to the jurisdiction of the Guernsey Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceeding arising out of or in connection with any such Applications, acceptances of Applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
 - (x) confirm that, in making such Application, neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to the Company other than the information contained in the Prospectus and, accordingly, you agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;
 - (xi) irrevocably authorise the Company or any person authorised by it to do all things necessary to effect registration of any C Shares subscribed by or issued to you into your name(s) or into the name(s) of any person(s) in whose favour the entitlement to any such C Shares has been transferred and authorise any representative of the Company to execute any document required therefor;
 - (xii) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company and the C Shares contained therein;
 - (xiii) confirm that you have reviewed the restrictions contained in these terms and conditions;
 - (xiv) warrant that, if you are an individual, you are not under the age of 18;
 - (xv) agree that all documents and cheques sent by post to, by or on behalf of the Company or the Receiving Agent, will be sent at the risk of the person(s) entitled thereto;

- (xvi) warrant that in connection with your application you have observed the laws of all relevant territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue or transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or your Application;
 - (xvii) save where you have satisfied the Company that an appropriate exemption applies so as to permit you to subscribe, represent and agree that you are not (i) a US Person (meaning any person who is a US Person within the meaning of Regulation S adopted under the United States Securities Act of 1933 (as amended)) and are not acting on behalf of a US Person, that you are not purchasing with a view to re-sale in the US or to or for the account of a US Person and that you are not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA) or an individual retirement account as defined in section 408 of the US Internal Revenue Code or (ii) a resident of Canada, Australia or Japan or any other territory in which the subscription by you for C Shares under the Offer for Subscription would be unlawful or in breach of any applicable regulations without further action on the part of the Company and;
 - (xviii) agree, on request by the Company, or the Receiving Agent on behalf of the Company to disclose promptly in writing to the Company or the Receiving Agent any information which the Company, or the Receiving Agent, may reasonably request in connection with your Application and authorise the Company or the Receiving Agent on behalf of the Company, to disclose any information relating to your Application as it considers appropriate.
- (e) No person receiving a copy of this document and/or an Application Form in any territory other than the UK may treat the same as constituting an invitation or an offer to him; nor should he in any event use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or the Application Form could lawfully be used without contravention of any, or compliance with any unfulfilled registration or other legal or regulatory requirements. It is the responsibility of any person outside the UK wishing to apply for C Shares under the Offer for Subscription to satisfy himself as to full observance of the laws of any relevant territory in connection with any such application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in any such territory and paying any issue, transfer or other taxes required to be paid in any such territory.
 - (f) The C Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any State or 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. The Company has not been and will not be registered as an “investment company” under the Investment Company Act, and investors will not be entitled to the benefits of the Investment Company Act. In addition, relevant clearances have not been, and will not be, obtained from any securities commission or authority of any province of Canada, Australia or Japan and, accordingly, unless an exemption under any relevant legislation or regulations is applicable, none of the C Shares may be offered, sold, renounced, transferred or delivered, directly or indirectly, in Canada, Australia or Japan. Unless the Company has expressly agreed otherwise in writing or unless an exemption under relevant legislation or regulation is applicable (the applicability of which you hereby represent and warrant), you represent and warrant to the Company that you are not a US Person or a resident of Canada, Australia or Japan and that you are not subscribing for such Shares for the account of any US Person or resident of Canada, Australia or Japan and that you will not offer, sell, renounce, transfer or deliver, directly or indirectly C Shares subscribed for by you in the United States, Canada, Australia or Japan or to any US Person or resident of Canada, Australia or Japan. No Application will be accepted if it bears an address in the United States, Canada, Australia or Japan unless an appropriate exemption is available as referred to above.
 - (g) Pursuant to The Data Protection (Bailiwick of Guernsey) Law 2001 (the “**DP Law**”), the Company the Administrator and/or the Registrar may hold personal data (as defined in the DP Law) relating to past and present Shareholders.
 - (h) Such personal data held is used by the Administrator and the Registrar to maintain the Company’s register of Shareholders and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned below when (i) effecting the payment of dividends and redemption proceeds to Shareholders and the payment of commissions to third parties and (ii) filing returns of Shareholders and their respective transactions in shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.
 - (i) The countries referred to above include, but need not be limited to, those in the European Economic Area and any of their respective dependent territories overseas, Argentina, Australia, Brazil, Canada, Hong Kong, Hungary, Japan, New Zealand, Singapore, South Africa, Switzerland and the United States of America.
 - (j) By becoming registered as a holder of C Shares in the Company, a person becomes a data subject (as defined in the DP Law) and is deemed to have consented to the processing by the Company the Administrator or the Registrar of any personal data relating to them in the manner described above.
 - (k) The basis of allocation will be determined by the Directors after consultation with the Investment Adviser and the Joint Lead Managers at their absolute discretion. The right is reserved to reject in whole or in part and/or scale down and/or ballot any Application or any part thereof. The right is reserved to treat as valid any Application not in all respects completed in accordance with the instructions relating to the Application Form, including if the accompanying cheque or banker’s draft is for the wrong amount.
 - (l) Save where the context otherwise requires words and expressions defined in the Prospectus have the same meanings when used in these terms and conditions and in the Application Form and explanatory notes in relation thereto.

Notes on How to Complete the Application Form

Applications should be returned so as to be received no later than 12 noon on 16 April 2008.

HELP DESK: If you have any questions relating to the completion and return of the Application Form, please telephone Capita Registrars between 9.00 am and 5.00 pm (London time) Monday to Friday (except UK public holidays) on 0871 664 0321 from within the UK or +44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the offer nor give any financial, legal or tax advice.

1A. APPLICATION

Fill in (in figures) in Box 1A the number of C Shares being subscribed for. The number being subscribed must be a minimum of 1,000 C Shares and thereafter in multiples of 500 C Shares. Financial intermediaries who are investing on behalf of clients should make separate applications for each client.

1B. SUBSCRIPTION MONIES

Fill in (in figures) in Box 1B the amount of subscription monies accompanying this application being the number of C Shares inserted in Box 1A multiplied by 100 pence per C Share.

2A. HOLDER DETAILS

Fill in (in block capitals) the full name and address of the first holder and the names only of any joint holders. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference. A maximum of four joint holders is permitted. All holders named must sign the Application Form at section 3.

2B. CREST

If you wish your C Shares to be deposited in a CREST Account in the name of the holders given in section 2A, enter in section 2B the details of that CREST Account. Where it is requested that C Shares be deposited into a CREST Account please note that payment for such Shares must be made prior to the day such C Shares might be allotted and issued. It is not possible for an applicant to request that C Shares be deposited in their CREST Account on a delivery against payment basis. Any Application Form received containing such a request will be rejected.

3. SIGNATURE

All holders named in section 2A must sign section 3 and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

4. CHEQUE/BANKER'S DRAFT, PAYMENT DETAILS

Payment must be made by a cheque or banker's draft accompanying your application. Payment by cheque or banker's draft must accompany your Application Form and be for the exact amount shown in section 1B of your Application Form. Your cheque or bankers draft must be made payable to Capita Registrars Limited a/c Babcock & Brown Public Partnerships Limited and crossed A/C Payee". Third party cheques will not be accepted with the exception of building society cheques or bankers drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the building society cheque or bankers draft to such effect. Your cheque or banker's draft must be drawn in sterling on an account at a bank branch in the UK or the Channel Islands and must bear a UK bank sort code number in the top right hand corner. No receipt will be issued.

5. RELIABLE INTRODUCER DECLARATION

Applications with a value greater than £10,000 will be subject to Guernsey's verification of identity requirements. This will involve you providing the verification of identity documents listed below UNLESS you can have the declaration provided at section 5 of the Application Form given and signed by a firm acceptable to the Registrar and Receiving Agent. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the declaration provided in section 5 of the Application Form completed and signed by a suitable firm.

If the declaration in section 5 cannot be completed and the value of the application is greater than £10,000, in accordance with internationally recognised standards for the prevention of money laundering, the documents listed below must be provided with the completed application form as appropriate. Notwithstanding that the declaration in section 5 has been completed and signed, the Receiving Agent reserves the right to request of you the identity documents listed below and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time, your application may be rejected or revoked. Where certified copies of documents are requested below, such copy documents should be certified by a senior signatory of a firm which is either a government approved bank, stockbroker, investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation, and the name of the firm should be clearly identified on each document certified.

A. For Each Holder Being an Individual Enclose:

- (1) a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport, Government or Armed Forces identity card, driving licence; and
- (2) certified copies of at least two of the following documents which purport to confirm that the address given in section 2A is that person's residential address: a recent gas, electricity, water or telephone (not mobile) bill, a recent bank statement, a council rates bill, or similar document issued by a recognised authority; and
- (3) if none of the above documents show the date and place of birth of the Applicant enclose a note of such information; and
- (4) details of the name and address of their personal bankers from which the Registrar or the Receiving Agent may request a reference, if necessary.

B. For Each Holder Being a Company (a "Holder Company") Enclose:

- (1) a certified copy of the certificate of incorporation of the holder company; and
- (2) the name and address of the holder company's principal bankers from which the Registrar or the Receiving Agent may request a reference, if necessary; and
- (3) a statement as to the nature of the holder company's business, signed by a director; and
- (4) a list of the names and residential addresses of each director of the holder company; and
- (5) for each director provide documents and information similar to that mentioned in A above; and
- (6) a copy of the authorised signatory list for the holder company; and
- (7) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also complete C below and, if another company is named (hereinafter a **"beneficiary company"**), also complete D below.

If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.

C. For each person named in B(7) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(1) to (4)

D. For each beneficiary company named in B(7) as a beneficial owner of a holder company enclose:

- (1) a certified copy of the certificate of incorporation of that beneficiary company; and
- (2) a statement as to the nature of that beneficiary company's business signed by a director; and
- (3) the name and address of that beneficiary company's principal bankers from which the Registrar or the Receiving Agent may request a reference, if necessary; and
- (4) enclose a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.

E. If the payor is not the Applicant and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 4 on how to complete this form) enclose:

- (1) if the payor is a person, for that person the documents mentioned in A(1) to (4); or
- (2) if the payor is a company, for that company the documents mentioned in B(1) to (7); and
- (3) an explanation of the relationship between the payor and the holder(s).

The Registrar or the Receiving Agent reserves the right to ask for additional documents and information.

6. CONTACT DETAILS

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person that the Registrar or Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are entered here and the Registrar or Receiving Agent requires further information, any delay in obtaining that additional information may result in your Application being rejected or revoked.

Application Form

Instructions for Delivery of Completed Application Forms

Completed Application Forms should be returned, by post or by hand (during normal Business Hours only), to Capita Registrars, Corporate Actions, the Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received no later than 12.00 noon on 16 April 2008, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

For Office Use Only

Log No.

Important before completing this form, you should read the accompanying notes.

To: Capita Registrars, acting as agent for Babcock & Brown Public Partnerships Limited

1. APPLICATION

I/We the person(s) detailed in section 2A below offer to subscribe the amount shown in Box 1B for C Shares subject to the Terms and Conditions set out in the Prospectus dated 18 March 2008 and subject to the memorandum and articles of association of the Company.

Box 1A	Number of C Shares (minimum of 1,000)	
Box 1B	Subscription monies (number in Box 1A multiplied by 100 pence)	

2A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) SHARES WILL BE ISSUED (BLOCK CAPITALS)

Mr, Mrs, Miss or Title

Forenames (in full)

Surname/Company Name:

Address (in Full)

Designation (if any)

Mr, Mrs, Miss or Title

Forenames (in full)

Surname/Company

Mr, Mrs Miss or Title

Forenames (in full)

Surname/Company Name

Mr, Mrs, Miss or Title

Forenames (in full)

Surname/Company Name

2B. CREST DETAILS

(Only complete this section if C Shares allotted are to be deposited in a CREST Account which must be in the same name as the holder(s) given in section 2A).

CREST Participant ID

CREST Member Account ID

3. SIGNATURE(S) ALL HOLDERS MUST SIGN

First holder signature:

Name (Print)

Dated:

Third holder signature:

Name (Print)

Dated:

Second holder signature:

Name (Print)

Dated:

Fourth holder signature:

Name (Print)

Dated:

4. CHEQUES/BANKER'S DRAFT DETAILS

Pin or staple to this form your cheque or bankers draft for the exact amount shown in section 1 made payable to Capita Registrars Limited a/c Babcock & Brown Public Partnerships Limited. Cheques and bankers payments must be drawn in sterling on an account at a bank branch in the UK or the Channel Islands and must bear a UK bank sort code number in the top right hand corner.

5. RELIABLE INTRODUCER DECLARATION

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in section 5 of the notes on how to complete this Application Form.

The declaration below may only be signed by a person or institution (such as a government approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the "firm") which is itself subject in its own country to operation of "customer due diligence" and anti-money laundering regulations no less stringent than those which prevail in Guernsey. Acceptable countries include Austria, Belgium, Canada, Denmark, Finland, France, Germany, Gibraltar, Greece, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the UK and the United States of America.

DECLARATION: To the Company and the Receiving Agent

With reference to the holder(s) detailed in section 2A, all persons signing at section 3 and the payor identified in section 6 if not also the Applicant (collectively the "subjects") **WE HEREBY DECLARE:**

1. we operate in one of the above mentioned countries and our firm is subject to money laundering regulations under the laws of that country which, to the best of our knowledge, are no less stringent than those which prevail in Guernsey;
2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
3. each of the subjects is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
4. we confirm the accuracy of the names and residential/business address(es) of the holder(s) given at section 2A and if a CREST Account is cited at section 2B that the owner thereof is named in section 2A;
5. having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the C Shares mentioned; and
6. where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its officials.

Signed

Name:

Position

having authority to bind the firm.

Name of regulatory authority

Firm's Licence number:

Website address or telephone number of regulatory authority: -

STAMP of firm giving full name and business address

6. CONTACT DETAILS

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Receiving Agent may contact with all enquiries concerning this application. Ordinarily this contact person should be the (or one of the) person(s) signing in section 3. If no details are entered here and the Registrar or the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:

E-mail address

Contact address

.....

Postcode.

Telephone No:

Fax No.

Name of Company

Company stamp/Signature of Authorised Representative:

.....



Mixed Sources

Product group from well-managed
forests and other controlled sources

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