

14 December 2010



Dear Shareholder,

Strategic Review Update

The strategic review which started in October of this year continues and the purpose of this letter is to provide shareholders with a progress update.

Obviously the decision by Moto to suspend dividends has impacted on EPIC's returns to shareholders. Nonetheless, it is important to emphasise that the strategic review would have been undertaken irrespective of the Moto decision. Both of EPIC's major investments are moving from income to growth focus. Thames Water has strengthened its balance sheet, and is embarking on a significant capital investment programme over the next five years. We believe there is significant upside in Thames Water from EPIC's perspective. Clarification of this will be better known once it completes its refinancing, expected next year. Meanwhile Moto, as shareholders know, has adopted a growth-focused business plan which means that earnings will be reinvested back into Moto's growth rather than distributed to shareholders.

We are aware of the impact that suspension of dividends has had on our shareholders. A number of shareholders have written to the Board suggesting that EPIC fund dividend payments through the returns we receive from Thames Water and/or from borrowings. As mentioned, Thames Water has embarked on its significant capital programme, and current dividends reflect that. The decision by the Moto board and its shareholders to reinvest for growth means that around \$12 million will be reinvested into that business which would otherwise be distributed to EPIC. EPIC's near-term cash flows have reduced by 65 percent. The Board has considered these factors and does not regard borrowing to pay dividends in the short term as being in the best interests of the company.

In terms of the review, our focus is firmly on delivering enhanced total investment returns. The Board and Management are looking at options which include reviewing EPIC's capital structure and banking facilities through till 2013. We are also awaiting the resolution of a refinancing process which is underway at Moto, as this is a factor in our considerations. This should be completed during the first quarter 2011. We will also consider the timing and level of future dividend payments and other capital management initiatives, including a share repurchase programme. Once the strategic review is completed, shareholders will be updated.

Thames Water

Thames Water continues to perform strongly. The period after the five-yearly Ofwat price setting process is settled is, historically, a time of high performance for UK water companies, as companies focus on meeting and exceeding the business plan targets. This is proving to

be the case. Thames Water's EDITDA¹ for the year to date is ahead of projections based on good revenues and lower than expected operational costs due to improved efficiencies. The most recent Ofwat report into the performance of UK water utilities ranked Thames Water third out of the 10 companies in terms of its 'overall performance assessment' score. Having inherited a piping network built in the Victoria era, Thames Water has the biggest leakage problem of any utility. As a result of formal undertakings between it and Ofwat to address the leakage problem, Thames spent £150 million in new infrastructure between 2005 and 2010. It reduced leakage from a rate of 860 megalitres per day to a rate of 670 megalitres per day.

The medium term outlook continues to be promising, given the macroeconomic environment in the UK. The water sector performs particularly well in periods of low interest rates coupled with moderate price inflation. A recent Credit Suisse report noted the strength of the UK water industry, comparing it to water sectors elsewhere in Europe, due to the falling cost of capital, increasing visibility on regulatory cash flows, and inflation. Evidence of this was Thames Water's recent €500 million Class A bond issue. Strong investor demand gave rise to a three times oversubscription.

Moto

Moto, likewise, continues to perform well, although the business has been affected by the recent extreme weather conditions in the UK. Its EBITDA for the current year is likely to be nearly 50 percent higher than two years ago and 13% ahead of EPIC's investment case at the time of acquisition. Moto is a focused business with a well performing management team who have outperformed budget EDITDA in every period since 2006.

As mentioned earlier, Moto is currently refinancing existing debt facilities and this is expected to be completed first quarter of next year. EPIC is considering how we can maximise the value of our investment in Moto. We expect to table those options to the Moto Board and fellow shareholders once the refinancing is concluded.

Director

We currently have a vacancy on the Board, following the retirement of Don Walker, who remains in our thoughts as he recuperates from illness. We are continuing our efforts to appoint a suitably qualified director to replace Don and will update shareholders accordingly.

Yours sincerely,



Margaret Devlin

Chair, EPIC

¹ Earnings before Interest, Tax, Depreciation and Amortisation