

A copy of this document, which comprises listing particulars relating to Advance UK Trust plc in accordance with the listing rules of the London Stock Exchange made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with section 149 of that Act.

The directors of Advance UK Trust plc, whose names appear on page 5 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of Advance UK Trust plc, (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made to the London Stock Exchange for admission to the Official List of the Ordinary Shares to be issued in the Placing. It is expected that listing will become effective and dealings in the Ordinary Shares will commence on 24 November 1997.

Price Waterhouse Corporate Finance, a division of Price Waterhouse, which is regulated in the United Kingdom by The Institute of Chartered Accountants in England and Wales, is acting for Advance UK Trust plc in connection with the Placing and for no-one else and will not be responsible for providing the protections afforded to customers of Price Waterhouse Corporate Finance or for providing advice in connection with the Placing.

Marshall Securities Limited, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting for Advance UK Trust plc in connection with the Placing and for no-one else and will not be responsible for providing the protections afforded to customers of Marshall Securities Limited or for providing advice in connection with the Placing.

The Ordinary Shares have not been nor will be registered under the Securities Act of 1933 of the United States of America, as amended, or under the securities or blue sky laws of any state of the United States and, except pursuant to an exemption therefrom, may not be offered or sold, directly or indirectly, in the United States or to U.S. persons. In addition, Advance UK Trust plc is not registered under the Investment Company Act of 1940 of the United States of America.

Advance UK Trust plc

*(Incorporated in England and Wales under the Companies Act 1985
with registered number 3438739)*

**Placing of up to 100 million 1p Ordinary Shares at 100p each
payable in full on application**

**Sponsored by
Price Waterhouse Corporate Finance**

The share capital of the Company immediately following the Placing will be as follows if the Placing is fully subscribed:

Authorised			Issued and to be issued fully paid	
Nominal Value	Number		Nominal Value	Number
£1,500,000	150,000,000	in Ordinary Shares of 1p each	£1,000,000	100,000,000

The maximum number of Ordinary Shares being made available in the Placing should not be taken as being indicative of the number of Ordinary Shares which will be allotted.

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EXPECTED TIMETABLE

Close of Placing	17 November 1997
Commencement of dealings	24 November 1997
Despatch of share certificates and CREST stock accounts to be credited	24 November 1997

KEY FEATURES

The following is a summary of some of the principal features of the Company and should be read in conjunction with the full text of these listing particulars from which it is derived:

- The Company will seek to achieve returns for its shareholders in excess of the Benchmark Index by investing at a Discount in a carefully selected portfolio of Funds which themselves invest in the United Kingdom or other developed markets (other than Japan). The Company may also invest in generalist Funds and in Funds with a considerable exposure to developed markets (other than Japan);
- The Company's benchmark will be the FT-SE All Share Index;
- The manager will be Progressive European Markets Limited, a new fund management company whose managing director, Richard Barnett, will be responsible for managing the Company's investments;
- The Company will have a vote for continuation at the fifth annual general meeting and a vote to wind up at the tenth annual general meeting;
- The Company's capital on Listing will comprise Ordinary Shares only;
- An application to the Court will be made to enable the Company to buy in Ordinary Shares;
- The management fee will be linked to performance in excess of the Benchmark Index rather than to asset inflation.

DEFINITIONS

“Act”	the Companies Act 1985, as amended
“Benchmark Index”	the FT-SE All Share Index
“Business Day”	a day on which the London Stock Exchange is open for business
“Closed End Fund”	a company or fund whose shares or other interests are listed on a stock exchange and whose constitutional documents do not bestow on investors a right to require the fund to redeem or re-purchase their investment in the fund
“Company”	Advance UK Trust plc
“CREST”	the system for paperless settlement of trades and the holding of uncertificated shares administered by CRESTCo Limited
“Discount”	in relation to a Fund, the amount by which the market capitalisation of the Fund is less than its net asset value and, in relation to shares or interests in a Fund, the amount by which their price on the relevant stock exchange is less than the net asset value per share or other interest
“Directors” or “Board”	the directors of the Company
“Fund”	an Investment Trust, Investment Company or Closed End Fund
“Investee Fund”	a Fund in any of whose shares or other interests the Company invests from time to time
“Investment Company”	a company whose shares or other interests are listed on a stock exchange and whose object is to invest its funds wholly or mainly in “investments” as defined in Part I of Schedule 1 to the Financial Services Act 1986 with the object of spreading investment risk and managing its portfolio for the benefit of its shareholders
“Investment Trust”	a company which has been approved by, or is seeking approval from, the Inland Revenue as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act 1988 in respect of its most recent accounting period, or which has announced that it will direct its affairs so as to enable it to seek such approval in respect of its current accounting period
“Listing”	the admission of the Ordinary Shares to the Official List of the London Stock Exchange
“Listing Rules”	the Listing Rules of the London Stock Exchange
“London Stock Exchange”	London Stock Exchange Limited
“Manager”	Progressive European Markets Limited
“Marshall”	Marshall Securities Limited
“Ordinary Shares”	ordinary shares of 1p nominal value each in the capital of the Company
“Placing”	the placing by Marshall, sponsored by Price Waterhouse Corporate Finance, of Ordinary Shares as described in this document
“Price Waterhouse Corporate Finance”	the corporate finance division of Price Waterhouse
“split share capital”	a capital structure which divides capital and income entitlements between more than one class of shareholder or other investor
“Wind-up provisions”	provisions contained in a Fund’s articles of association (or equivalent constitutional document) whereby holders of shares or other interests in the Fund may, on specified occasions, resolve to liquidate the Fund

DIRECTORS, MANAGER & ADVISERS

Directors	Edward George Davis (Chairman) Graham John Barker Michael Austin Taylor
all of	Crusader House 145-157 St John Street London EC1V 4QJ
Secretary and Registered Office	Cavendish Administration Limited Crusader House 145-157 St John Street London EC1V 4QJ
Manager	Progressive European Markets Limited Crusader House 145-157 St John Street London EC1V 4QJ
Sponsor	Price Waterhouse Corporate Finance No. 1 London Bridge London SE1 9QL
Stockbrokers	Marshall Securities Limited Crusader House 145-157 St John Street London EC1V 4QJ
Auditors	KPMG Audit Plc Chartered Accountants and Registered Auditor 8 Salisbury Square London EC4Y 8BB
Solicitors to the Company and to the Placing	Freshfields 65 Fleet Street London EC4Y 1HS
Registrars	Northern Registrars Limited Northern House Penistone Road Fenay Bridge Huddersfield HD8 0LA
Custodian and Bankers	Lloyds Bank Plc Princess House 1 Suffolk Lane London EC4R 0AN

PART 1
ADVANCE UK TRUST plc

Introduction

The Company will seek to achieve returns for its shareholders in excess of the Benchmark Index by investing at a Discount in a carefully selected portfolio of Funds where the Manager believes the Discount should narrow. These Funds will themselves be invested in the United Kingdom or other developed markets (other than Japan). The Company may also invest in generalist Funds and in Funds with a considerable exposure to developed markets (other than Japan). As an investor, the Company will, when appropriate, encourage those responsible for the direction and management of Investee Funds to make and implement proposals to improve shareholder value.

The investment opportunity

The Manager expects to focus primarily on Investment Trusts rather than Investment Companies or other Closed End Funds. The Investment Trust sector has expanded considerably in recent years with 151 new Investment Trusts being launched since 1 January 1991 and a net inflow of funds into the sector of approximately £10 billion between 1 January 1991 and 31 August 1997. At 30 September 1997 the Investment Trust sector consisted of 349 Investment Trusts with a combined market capitalisation of approximately £48 billion and holding approximately £54 billion of shareholders' assets.

However, in the past three years the Investment Trust sector has, overall, provided poor returns to investors, partly because of widening Discounts. The Directors and the Manager believe that there is currently considerable disenchantment among investors in the whole Fund sector and that this is attributable to the prevalence of a number of factors, including:

- unsatisfactory investment performance;
- high fees in relation to the service provided;
- wide Discounts and illiquidity;
- lack of clear investment rationale, objectives or performance measures;
- the proliferation of Funds launched to capitalise on investment fashions, often at a high point in the market cycle, many of which have subsequently fallen out of favour and could not be launched today;
- complicated capital structures which make it difficult for fund managers to meet conflicting requirements of different classes of shares and for shareholders to understand what they own;
- lack of marketing support for Funds after flotation;
- failure of some fund management groups to acknowledge that a Fund is an independent body to be run for the benefit of its shareholders and owners;
- investment by Funds in other Funds managed by the same fund management group and reciprocal investments by fund management groups;
- fund management companies seeking to prevent, delay or modify the operation of Wind-up provisions;
- boards of Funds being isolated from shareholders' views and independent advice which would enable them more effectively to represent shareholders' interests; and
- comparison with index tracking funds which are able consistently to track indices of major equity markets within narrow limits at low cost, thereby bringing into sharper focus questions of performance and value for money in many actively managed funds in such markets.

In the three year period ended 31 August 1997 the FT-SE All Share Index has shown an increase of 40 per cent. In the same period the FTA Investment Trust Index has increased by only 15 per cent. Discounts have widened over that period from an average of 5 per cent. to an average of 13 per cent. contributing to the under performance of Investment Trusts in share price terms but in addition the majority of Investment

Trusts in which the Company could invest have under performed their own performance benchmarks over a one year or three year period (see "Potential investments" below).

Only rarely have boards and advisers of Funds publicly taken the initiative effectively to encourage managers to improve investment performance and/or narrow Discounts. For instance, it has been uncommon for boards, of their own volition, to dismiss poorly performing managers or to instigate a competitive tender for a management contract. In some cases the attitudes of boards may be influenced by interdependencies between boards, advisers and fund management groups. Nevertheless, the Directors and the Manager believe that there is considerable support among investors, boards, managers and advisers in the Investment Trust sector for the need to promote the interests of shareholders.

The Directors recognise that Funds can provide an attractive form of investment for both institutional and private investors and that many fund managers continue to provide valuable investment services for investors. The Directors believe that the Funds sector and successful fund managers will benefit from an increased focus on issues of investment performance and Discounts.

Investment policy

The Company will invest in Funds which themselves invest in the United Kingdom or other developed markets (other than Japan). The Company may also invest in generalist Funds and in Funds with a considerable exposure to developed markets (other than Japan).

The Company will seek to acquire holdings in Investee Funds at large Discounts. Large Discounts often reflect poor investment performance or a failure to fulfil investors' expectations but can also arise from time to time where investment performance has been acceptable or even good. The Company may invest in all types of securities including warrants.

The Manager intends that the Company's investment portfolio will normally contain a balance between investments where the Manager expects to crystallise value following implementation by the board of the Investee Fund of existing Wind-up provisions or ending of a split share capital structure, investments where the Manager expects a re-rating of the shares and investments where the Manager believes that the board, manager and advisers of the Investee Fund should take action to improve shareholder value.

The Company's principal objective will be to achieve gains where Discounts are narrowed as a result of improvements effected by boards, managers and advisers of Investee Funds in the structure of the Fund, investment performance or marketing rather than short term gains arising on temporary narrowing of Discounts. The Company does not intend to seek opportunistic short term profits through greenmail, i.e. by selling its holdings to purchasers procured by the Investee Funds' boards or managers who may prefer to remove the Company as a shareholder rather than address the underlying issues of Fund structure, investment performance or marketing.

The Directors believe that the Benchmark Index is the most appropriate index against which to measure the Manager's investment performance in an objective manner on a medium term basis. However, because the Manager will primarily base its investment decisions on where it believes the greatest value can be derived there is likely to be a degree of mis-match between the asset allocation of the Company's investment portfolio (taking into account the underlying investments of Investee Funds) and the scope and weightings of the Benchmark Index. The Manager may employ hedging mechanisms where it believes that this would protect the performance of the Company's investment portfolio in a cost effective manner.

Potential investments

Research information of NatWest Securities Limited covers 250 Investment Trusts which, by virtue of their investment focus, would qualify for investment by the Company. According to this data, 145 of these trusts have published a single benchmark index against which the boards and managers of the trust expect investment performance to be measured. Of the 145 trusts, omitting in each case those trusts for which the relevant information is not given, 62 per cent. under performed their stated benchmark in net asset value terms in the year ended 31 August 1997 and 53 per cent. under performed their stated benchmark in net asset value terms over the three year period ended on that date. The corresponding percentages of under performers in share price terms are 73 per cent. over one year and 71 per cent. over three years.

Based on the same research information the Manager has carried out a similar analysis over the same periods for each of the 105 Investment Trusts which would qualify for investment by the Company but where either no benchmark is specified or where several performance comparisons are given without

emphasis on one particular measure. Using the single benchmark index which the Manager considers to be appropriate for each such trust and omitting in each case those trusts for which the relevant information is not given, the percentages of under performers in net asset value terms are 76 per cent. over one year and 62 per cent. over three years and in share price terms the percentages of under performers are 84 per cent. over one year and 79 per cent. over three years.

As at 31 August 1997 of the 250 Investment Trusts identified by the Manager as qualifying for investment by the Company 50 per cent. traded at Discounts greater than 12 per cent.

There is also a number of Closed End Funds other than Investment Trusts in which the Company may invest.

The Manager expects that the Company will normally have less than twenty investments in its portfolio.

The Company's investment approach

As an investment trust, the Company will not control or seek to control or be actively involved in the management of Investee Funds; for instance, it will not seek board representation or seek to become involved in the underlying portfolio of an Investee Fund and the Manager will not seek to usurp or duplicate the role of the incumbent manager of an Investee Fund. The Company will, however, diligently exercise its rights as an investor, particularly in cases where it believes that the board, manager and advisers of an Investee Fund are not focusing adequately or effectively on promoting the interests of investors in that fund.

The Directors and the Manager believe that it is the incumbent boards, managers and advisers of Investee Funds who have the responsibility and who are generally best placed to identify and implement measures which would benefit the shareholders and owners of the Fund. This would normally involve actions designed to narrow Discounts or improve investment performance, such as improved marketing and communication, capital reconstruction, change in investment policy, strengthening or change of management or directors, enforcement of existing Wind-up provisions or return of capital at the end of a split capital structure. However, in certain situations, for instance where a Fund has ceased to provide any investment rationale or is reaching the natural end of its investment activities, more fundamental changes may be appropriate such as unitisation or liquidation.

The Directors and the Manager believe that a proposal by the board and manager of an Investee Fund to change the investment policy of an Investee Fund could, in some cases, involve a complete or partial move towards index tracking.

If the board, manager and advisers of an Investee Fund fail to identify or implement proposals to improve value for all investors the Company may itself take an appropriate initiative such as requisitioning an extraordinary general meeting of the Investee Fund.

Capital structure and life of the Company

The Company's capital on Listing will consist only of Ordinary Shares. It is the intention of the Board and the Manager to maintain, as far as possible, a simple share capital structure for the Company.

As described under "Capital re-organisation" below, the Board intends to apply to the Court to enable the Company to buy in Ordinary Shares if this is in the interests of shareholders.

The Directors do not intend to employ gearing to expand the funds available to the Company for long term investment. However, the Directors will be prepared to approve borrowings in exceptional circumstances, for example to make investments before proceeds from disposals are received.

The Company will have the ability to borrow an amount equal to half its total adjusted capital and reserves as defined in its Articles of Association (with a fixed limit of an amount equal to half the net proceeds of the Placing until the first audited accounts of the Company have been published).

Shareholders will have an opportunity to determine the future of the Company at regular intervals. Furthermore, if at any time it becomes difficult for a prolonged period for the Company to identify investments on suitable Discounts the Company will put forward proposals to return capital to its shareholders.

As described in more detail in paragraph 4(e) of Part 2 of this document, at the fifth annual general meeting of the Company an ordinary resolution that the Company continue as an Investment Trust will be put to

shareholders. If that resolution is defeated, the Directors will within three months convene an extraordinary general meeting of the Company at which a special resolution will be proposed for the voluntary winding up of the Company. On any such special resolution, any member will be entitled to demand a poll and on a poll each member who votes in favour of the special resolution will have 100 million votes for every 1p nominal value of share capital of which he is the holder. If the Company has not been wound up previously, at the tenth annual general meeting of the Company an ordinary resolution to wind up the Company will be put to shareholders and, if passed, the Company will be wound up. If that resolution is not passed, a similar ordinary resolution will be put to shareholders at each fifth annual general meeting of the Company thereafter.

Directors of the Company

The Directors of the Company are:

- Edward George Davis** Ted Davis, aged 58, is the Chairman of the Company. He has recently retired after 38 years' service within the investment division of Legal & General Group. His career at Legal & General encompassed a wide range of investment activities including fund management and analysis of UK and overseas equities, fixed interest and venture capital investments. For the past 8 years he has concentrated on UK equities, particularly Investment Trusts. His responsibilities have made him familiar with various performance measurement techniques. Ted Davis was closely involved in the introduction of Legal & General's index funds. He served for a number of years as Legal & General's representative on the Investment Committee of the Association of British Insurers. He is a Fellow of the Chartered Insurance Institute, an Associate of the Institute of Investment Management and Research and a Member of the Securities Institute. He is a director of Advance Developing Markets Trust plc.
- Graham John Barker** Graham Barker, aged 58, spent more than 30 years in the investment management industry prior to his retirement. From 1968 until 1990 he worked for N.M. Rothschild & Sons Limited. He was a director of N.M. Rothschild & Sons Limited, Managing Director of Rothschild Asset Management Limited and Chairman of Rothschild Asset Management (C.I.) Limited in Guernsey. His responsibilities included corporate finance and product development work for unit trusts, Investment Trusts and offshore funds. From 1990 until 1994 he was an executive director of Fidelity Investment Services Limited. In September 1996 he was appointed by the shareholders of The Malaysia Equity Fund Limited to the board of that company and he was immediately appointed as chairman of the board. He supervised a restructuring of the company under which about 77 per cent of the shares in the company were re-purchased and the company was converted into an open-ended fund.
- Michael Austin Taylor** Michael Taylor, aged 38, has sixteen years experience in investment management, specialising throughout in UK equities. He started at Guardian Royal Exchange in 1981 and left to join Hill Samuel Investment Management Ltd in the Spring of 1987 to manage segregated pension funds. In 1991 he joined Royal Insurance Asset Management as head of UK equities. Whilst at Royal Insurance group, Michael Taylor had direct experience in a number of corporate governance matters, giving him a strong grounding and continuing interest in this area. In 1995 he joined Threadneedle Investment Management Limited and was appointed as a director. He has participated actively in the development of Threadneedle's UK equity stock selection process with particular regard to portfolio structure, benchmarks and risk profile.

Management of the Company

The Company will be managed by Progressive European Markets Limited, which is regulated by IMRO and is a subsidiary of Progressive Asset Management Limited. Progressive Asset Management Limited is the holding company for a new independent fund management group set up to provide products and services which satisfy investors' requirements by the use of asset allocation, fund selection, index tracking and other methods not involving stock selection. Marshall owns 21 per cent. of the issued ordinary share

capital of Progressive Asset Management Limited which owns 66 per cent. of the issued ordinary share capital of the Manager.

The Company's investment portfolio and assets will be managed by Richard Barnett, the managing director of the Manager.

Richard Barnett, aged 50, joined the Manager recently from Royal Insurance Group where he worked for 28 years, initially in the insurance, administration and secretarial areas. From 1987 he was employed in the group's investment management division where he became a fund manager for UK equities. From 1988 until leaving Royal Insurance Group he was responsible, *inter alia*, for managing the Investment Trust portfolios of the group's three main funds. He was also responsible, from October 1995, for managing the Royal Life Index Tracking Trust.

The Manager shares office facilities with its sister company, Progressive Developing Markets Limited, a company formed to manage Advance Developing Markets Trust plc which was established at the same time as the Company and which will be managed on similar lines but which will focus on developing and emerging markets. Progressive Developing Markets Limited is managed by Nigel Wilson who was until recently Chief Investment Manager and Head of the Investment Unit at the Bank of England. Nigel Wilson will also act as Richard Barnett's deputy in relation to the management of the Company and they will be assisted by an additional investment manager and a compliance director.

The Company has appointed Cavendish Administration Limited, a subsidiary of Progressive Asset Management Limited, to act as administrator and as Company Secretary. Cavendish Administration Limited, which was established in 1993 provides administration and secretarial services to Investment Trusts and fund management companies.

Lloyds Bank Plc has been appointed as the custodian of the Company's securities and assets.

Management and administration agreements

The Directors and the Manager believe that the investment management fees payable by the Company should be structured to reward performance in excess of the Benchmark Index and achievement of added value for shareholders. Conventional fund management fees are based simply on a specified percentage of funds managed and therefore rise automatically if the underlying investments increase in value. This means that managers' income may increase even if they have under performed their benchmark or if the market capitalisation of the Fund has fallen or stagnated because of a wide Discount. The Directors and the Manager also believe that such fee structures create a financial incentive for managers to preserve and increase funds under management rather than to concentrate on asset and price performance.

The fee structure under the management agreement between the Company and the Manager is designed to counter these anomalies and to encourage the Manager to achieve above average returns for shareholders in terms of both net asset value and share price. The fee structure also reflects the view of the Board and the Manager that the repurchase of shares or return of capital can be an element of delivering value to investors. The Company will, where appropriate, encourage boards of Investee Funds to consider introducing fee arrangements reflecting these principles.

The Manager's fee will consist of a basic fee and, if applicable, a performance fee.

The basic fee will be payable monthly in arrears (and *pro rata* for part of any month during which the management agreement is in force). This monthly fee will be equivalent to one twelfth of one per cent. of whichever is the lower of (a) the net proceeds of the Placing increased in line with the Retail Prices Index or (b) the Company's Adjusted Market Capitalisation. The management agreement defines the "Company's Adjusted Market Capitalisation" as the aggregate closing mid market price of the Company's Ordinary Shares derived from the Daily Official List of the London Stock Exchange on the last Business Day of the month or part of a month for which the basic fee is being calculated plus the aggregate amount, if any, paid by the Company in purchasing its own Ordinary Shares at a Discount in the two year period ending on such Business Day. The ceiling related to the net proceeds of the Placing will continue in force for the duration of the management agreement and will prevent the basic fee from rising automatically with rising markets. The ceiling related to the Company's Adjusted Market Capitalisation will also continue in force for the duration of the management agreement and is designed to protect the Company in the event of falling markets or under performance by the Manager or if a large Discount arises but not to penalise the Manager if the Company buys in Ordinary Shares at a Discount.

The amount of any performance fee will be determined as follows:

$$P = \frac{(A-B) \times N}{10}$$

where:

P = the amount of the performance fee; and

A = Achieved Share Value; and

B = Benchmark NAV per share; and

N = the number of Ordinary Shares in issue at the start of a Relevant Period.

For the purpose of calculating the performance fee:

“Relevant Period”	means the period from Listing until 31 August 1999, each subsequent two year period and, if less than two years, the final period for which the management agreement subsists;
“NAV”	means net asset value as defined in the management agreement details of which are set out in paragraph 9 of Part 2 of this document;
“Achieved Share Value”	means (i) in the case where the Company is being wound up, NAV per Ordinary Share after taking into account the costs of liquidation of the Company (other than the performance fee, if any, for the final Relevant Period) and (ii) in all other cases NAV per Ordinary Share at the end of a Relevant Period reduced by the average Discount, if any, calculated by reference to the closing mid market price of an Ordinary Share as derived from the Daily Official List of the London Stock Exchange on each of the last 90 Business Days of the Relevant Period and the last published NAV per Ordinary Share as at each such date;
“Base NAV per share”	means 100p at the commencement of the first Relevant Period and subsequently NAV per Ordinary Share at the commencement of business on the first Business Day of a Relevant Period; and
“Benchmark NAV per share”	means Base NAV per share increased by the percentage, if any, by which the Benchmark Index has increased over the Relevant Period.

The performance fee will not be payable unless Achieved Share Value is greater than 100p and has increased since the end of the last period in respect of which a performance fee was payable.

The Company’s primary objective is to achieve capital growth for its shareholders. Accordingly, it is intended that one third of the basic fee will be charged to revenue and two thirds to capital. The performance fee, if any, will be charged to capital. The Directors will keep under review with the auditors the appropriate basis of accounting for management expenses of the Company.

The management agreement is terminable by either the Company or the Manager giving to the other at least 12 months’ notice at any time and in the circumstances described in paragraph 9(d) of Part 2 of this document.

The Company’s administrative agreement with Cavendish Administration Limited (under which Cavendish Administration Limited agrees to provide administrative and secretarial services to the Company) is terminable by either party giving to the other at least 6 months’ notice at any time. Under the terms of this agreement the Company will pay Cavendish Administration Limited a fee at the annual rate of £25,000 plus one tenth of one per cent. of the net proceeds of the Placing. The fee will be payable monthly in arrears (and *pro rata* for part of a month) and will be reviewed annually.

Capital re-organisation

Given the prevalence of Discounts in the Investment Trust sector the Directors are aware of the possibility that the Ordinary Shares of the Company may trade at a Discount at some point in its life. In order to address this problem, should a significant Discount arise, the Directors consider that the Company should

have the ability to purchase its Ordinary Shares in the market with the aim of reducing the Discount and increasing the net asset value per share of the remaining Ordinary Shares. In the view of the Directors, the awareness of investors that the Company has such capability will tend to moderate the scale of any Discount which may emerge and the action of buying in Ordinary Shares should enable any such Discount to be significantly narrowed.

The Act provides that a public company may only purchase its own shares out of distributable profits or out of the proceeds of a fresh issue of shares made for the purpose of the purchase. As an Investment Trust, the Company is obliged not to retain more than 15 per cent. of the income it derives from shares or securities. The Company is therefore unlikely to be able to retain sufficient distributable profits to ensure that it is able fully to fund any repurchases which the Directors might want to make. The Company therefore proposes to petition the Court to confirm the reduction of its share premium account created on the issue of Ordinary Shares in the Placing and to establish a new special reserve which may be treated as distributable profits out of which the purchases of Ordinary Shares could be made.

Two special resolutions, both of which were expressed to take effect on completion of the Placing, were passed at an extraordinary general meeting of the Company held on 30 September 1997. The first resolution authorised the cancellation of an amount equal to 30 per cent. of the amount standing to the credit of the share premium account of the Company following the issue of Ordinary Shares pursuant to the Placing. The second resolution granted the Company authority to make market purchases of up to 14.99 per cent. of its own issued Ordinary Shares following the conclusion of the Placing. Further details of these resolutions are set out in paragraph 2(c) of Part 2 of this document. Since the Directors cannot predict when, or if, any Discount will arise, it will be necessary to renew the authority to make purchases of Ordinary Shares and this will be sought from shareholders at each annual general meeting of the Company.

Following completion of the Placing, the Directors intend that the Company will petition the Court to confirm the reduction of the share premium account. In deciding whether to give its confirmation, the Court will be concerned to protect the interests of any creditors of the Company at the date the reduction takes effect. It is anticipated that the Court will require the Company to give an undertaking that the reserve arising will not be used for the purposes outlined until all such creditors have been paid or consented to the proposed use of the reserve. The Company is a recently incorporated company whose creditors consist predominantly of its advisers. All such creditors are likely to have been paid or consented within a short time. The Company will give such undertakings as it may be advised are appropriate. No purchases of Ordinary Shares will be made by the Company until the reduction in share premium account has been confirmed by the Court and the terms of any undertaking required have been complied with. Any repurchases of Ordinary Shares will be made at the discretion of the Directors in light of market circumstances at the time.

Dividend policy

As the primary investment objective is capital growth and the Company's income may be small, dividends will be a secondary consideration and may fluctuate in amount. However (and subject to what is said in the following paragraph), the Company intends to distribute as an annual dividend substantially all of its net income available for distribution and the Directors expect that the first dividend (if any) will be paid in December 1998.

To ensure that the Company is able to buy in Ordinary Shares (which is subject to the confirmation of the Court), the Company will not qualify as an "Investment Company" under section 266 of the Act. As a result, the Company will have to include all realised gains and losses (including realised capital gains and losses) in determining its profits available for distribution. In addition, distributing by way of dividend surpluses arising from realising investments is prohibited by the Company's Articles of Association. These two factors may restrict the amount of profits that can be distributed to shareholders. This does not affect the Company's intention to distribute substantially all of its net distributable income and the Company has been advised that not qualifying as an Investment Company under section 266 of the Act will not affect its ability to obtain approval as an approved investment trust for United Kingdom tax purposes.

The Placing

The Placing is being effected by Marshall and sponsored by Price Waterhouse Corporate Finance. It is proposed to raise up to £100 million before expenses. The Ordinary Shares will be offered at 100p per share payable in cash or in consideration of the transfer to the Company of other securities. Any such other securities would be interests in Investment Trusts and the Company will have discretion whether to accept any such securities as consideration. The Placing is conditional on at least £35 million being subscribed (including the value of securities accepted as consideration). The Placing is not underwritten. The Placing will close at 5.00 p.m. on 17 November 1997.

It is expected that the initial costs of the Placing will not exceed 2 per cent. of the amount raised in the Placing, which would result in an initial net asset value of at least 98p per Ordinary Share.

Risk factors

The Company will, by virtue of the underlying investments of Investee Funds, be exposed to equity markets of the UK and other developed countries and accordingly the value of the Company's portfolio may be affected by movements in the relevant markets and by fluctuations in relevant exchange rates.

The achievement of the Company's investment performance objective is to a significant degree dependent on successfully narrowing Discounts in Investee Funds. The Company may incur significant legal and other expenses in pursuit of its objective.

As mentioned under "Investment policy" on page 7 there is likely to be a mis-match between the Company's asset allocation and the scope and weightings of the Benchmark Index.

Taxation

Information concerning the tax status of the Company as an Investment Trust and the taxation of shareholders is contained in paragraph 12 of Part 2 of this document. If a potential investor is in any doubt about the taxation consequences of his acquiring, holding or disposing of Ordinary Shares, he should seek advice from his own professional adviser.

Selling restrictions

To ensure compliance with the U.S. Securities Act of 1933 (the "Securities Act") and the U.S. Investment Company Act of 1940 (the "1940 Act"), each initial purchaser of Ordinary Shares in the Placing which is not within the United States and which is a non-U.S. person shall represent and agree, among other things, that:

- (i) it is not within the United States or a U.S. person, nor is it purchasing Ordinary Shares for the account or benefit of any person within the United States or a U.S. person;
- (ii) it does not, nor does any person for whose account or benefit it is purchasing Ordinary Shares, own 10 per cent. or more of the Company's Ordinary Shares; and
- (iii) it is not purchasing the Ordinary Shares for the purpose of evading the requirements of the 1940 Act and it will not resell or otherwise transfer Ordinary Shares for such purpose.

Selling restrictions applicable to initial purchasers of Ordinary Shares which are within the United States or which are U.S. persons are set forth in a separate invitation letter. Terms used in this paragraph and not otherwise defined herein have the meanings given to them by Regulation S under the Securities Act.

In addition, each initial purchaser of Ordinary Shares in the Placing will be required to confirm that it is or is not a pension, profit sharing or other employee benefit plan, wherever organised, and, in the case of a U.S. plan, whether it is a pension, profit sharing or other employee benefit plan to which Title I of the U.S. Employee Retirement Income Security Act 1974 ("ERISA") applies or to which section 4975 of the U.S. Internal Revenue Code applies.

Dealings

Dealings in the Ordinary Shares are expected to commence on 24 November 1997. No temporary documents of title will be issued. Definitive share certificates are expected to be posted to shareholders and CREST stock accounts to be credited on 24 November 1997.

CREST

Shares in the Company will be eligible for settlement through CREST following commencement of dealings.

PEPs

The Directors expect that the Company will be a fully qualifying Investment Trust for the purposes of personal equity plans.

Prospects

The Directors and the Manager believe that the prevailing levels of Discounts and the disenchantment of investors in the Funds sector provide an excellent background for the Company to make substantial investments in carefully selected Investee Funds. The Directors and the Manager expect the Company to benefit from narrowing of Discounts where existing Wind-up provisions are enforced, where split capital structures are brought to an end, where shares are re-rated in anticipation of or in response to improved investment performance or improved marketing and in cases where measures to narrow Discounts are taken by incumbent boards, managers and advisers of Investee Funds for the benefit of investors.

PART 2
GENERAL INFORMATION

1. Incorporation

- (a) The Company was incorporated and registered in England and Wales under the Act as a public limited company on 18 September 1997 with the name Advance UK Trust plc and with the registered number 3438739. The Company has not traded, and no accounts have been made up, since its incorporation.
- (b) The Company operates under the Act and the regulations made thereunder. It has no subsidiaries but may establish or acquire a subsidiary or subsidiaries to engage in transactions connected with its proposed activities.
- (c) On 17 October 1997 the Registrar of Companies issued a certificate under section 117 of the Act entitling the Company to do business and exercise borrowing powers.
- (d) Changes in the authorised and issued share capital of the Company since its incorporation are summarised in paragraph 2 below. Contracts entered into by the Company since its incorporation are referred to in paragraphs 9, 10 and 11 below.

2. Share Capital

- (a) The authorised share capital of the Company on incorporation was £1,500,000 divided into 150,000,000 Ordinary Shares of 1p each. On incorporation, two Ordinary Shares were issued, fully paid, to the subscribers to the Company's Memorandum of Association. These two Ordinary Shares are included in the Placing and the proceeds will be remitted to the Company.
- (b) On 30 September 1997, 5,000,000 Ordinary Shares were allotted to Progressive Asset Management Limited at par against its irrevocable undertaking to pay up one quarter of their nominal value by no later than 1 December 1997, to enable the Company to obtain a certificate to commence business under section 117 of the Act. These Ordinary Shares are included in the Placing.
- (c) On 30 September 1997 at an extraordinary general meeting of the Company it was resolved:
 - (i) to authorise the Directors in accordance with section 80 of the Act, to allot Ordinary Shares up to an aggregate nominal amount of £1,500,000 or, if less, the issued share capital of the Company immediately following the conclusion of the Placing, such authority to expire at the conclusion of the first annual general meeting of the Company;
 - (ii) to empower the Directors pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the authority referred to in subparagraph 2(c)(i) above, as if section 89(1) of the Act did not apply to the allotment, such authority to expire at the conclusion of the first annual general meeting of the Company;
 - (iii) conditionally upon the issue of Ordinary Shares by the Company pursuant to the Placing and the payment up in full thereof, that an amount equal to 30 per cent. (rounded down to the nearest £1) of the amount standing to the credit of the share premium account of the Company immediately following the issue of Ordinary Shares pursuant to the Placing be cancelled; and
 - (iv) conditionally upon the issue of Ordinary Shares by the Company pursuant to the Placing and the payment up in full thereof, that the Company be authorised in accordance with section 166 of the Act to make market purchases (within the meaning of section 163 of the Act) of Ordinary Shares, provided that:
 - (aa) the maximum number of Ordinary Shares authorised to be purchased is a number equal to 14.99 per cent. of the total issued share capital of the Company immediately following the conclusion of the Placing (rounded down to the nearest whole number);
 - (bb) the minimum price which may be paid for an Ordinary Share is 1p;
 - (cc) the maximum price which may be paid for an Ordinary Share is an amount equal to 105 per cent. of the average of the middle market quotations for an Ordinary Share taken from

the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the Ordinary Share is purchased;

- (dd) such authority expires at the earlier of 29 September 1998 or the conclusion of the first annual general meeting of the Company; and
 - (ee) the Company may make a contract to purchase Ordinary Shares under the authority referred to above prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and the Company may make a purchase of Ordinary Shares pursuant to any such contract.
- (d) Save as mentioned in sub-paragraph 2(c)(ii) above, the provisions of section 89 of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid up in cash) apply to the authorised but unissued share capital of the Company.
 - (e) Save as referred to in sub-paragraphs 2(a), (b) and (c) above, no share or loan capital of the Company has been issued for cash or for a consideration other than cash, no such share or loan capital is proposed to be issued, no commissions (other than as mentioned in paragraph 10 below), discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital and no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
 - (f) The Ordinary Shares will be in registered form and eligible for settlement through CREST.

3. Investment Restrictions

It is the Company's intention to direct its affairs and observe the investment restrictions to enable it to seek approval as an approved investment trust for United Kingdom tax purposes in respect of its current and subsequent accounting periods and to maintain its listing on the London Stock Exchange. For this purpose and for other policy considerations, the Directors have resolved that the Company will not:

- (a) invest in securities carrying unlimited liability; or
- (b) deal short in securities nor, to a significant extent, be a dealer in investments; or
- (c) exercise legal or management control of Investee Funds or control, or seek to control, or be actively involved in the management of Investee Funds; or
- (d) buy or sell commodities or commodity contracts or real estate or interests in real estate, although it may purchase and sell securities which are secured by real estate or commodities and securities of companies which invest in or deal in real estate or commodities; or
- (e) invest in the securities of any one company, or lend to any one company (other than a company which has been approved as an investment trust by the Inland Revenue or which would qualify for such approval but for the fact that it is not listed on the London Stock Exchange) more than 15 per cent. of the Company's assets (before deducting borrowed money, if any) including loans to or shares in any subsidiary of the Company.

None of these restrictions will, however, require the realisation of any assets of the Company where any restriction is breached as a result of an event beyond the control of the Company which occurs after the investment is made, but no further relevant assets of the kind giving rise to the breach (as described in paragraphs 3(a) to 3(e) above) may be acquired by the Company until it can again comply with the relevant restriction.

In accordance with the requirements of the London Stock Exchange, the investment policies described above and under "Investment policy" in Part 1 of this document will, in the absence of unforeseen circumstances, be adhered to for a minimum period of three years from Listing, and any material change in the policies within that period will only be made with the approval of the Company's shareholders.

4. Memorandum and Articles of Association

The Memorandum of Association of the Company provides that the Company's principal object is to undertake and carry on the business of an investment trust company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the addresses set out in paragraph 14 below.

The Articles of Association of the Company contain, *inter alia*, provisions which will allow the Ordinary Shares to be held in and transferred through CREST.

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

(a) Voting rights

- (i) Subject to any special terms as to voting upon which any shares may be issued and to any other provisions of the Articles, every member present in person at a general meeting shall have one vote on a show of hands, and on a poll every member present in person or by proxy shall have one vote for every 1p nominal amount of share capital of which he is the holder.
- (ii) No member shall, unless the Board decides otherwise, be entitled to vote either in person or by proxy at any general meeting of the Company (or any separate meeting of the holders of any class of shares of the Company in the event that there are in issue shares of more than one class) in respect of any share if any call or other sum presently payable by him in respect of that share remains unpaid. If at any time the Board is satisfied that any member, or any other person appearing to the Board to be interested in shares held by that member, has been duly served with a statutory notice to provide the Company with information concerning interests in those shares and is in default with complying with that notice, the Board may send to that member a notice directing that the member shall not be entitled to attend or vote either in person or by proxy at any such meeting in relation to the shares in respect of which the default occurred.

(b) Variation of rights and changes to capital

- (i) Subject to the provisions of the Act, all or any of the rights for the time being attached to any class of shares may (unless otherwise provided by the terms of allotment of the shares of that class) be varied or abrogated with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution when passed at a separate general meeting of the holders of those shares. The quorum requirement for such a separate general meeting of holders of any class of shares is a person or persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class or, at any adjourned meeting of such holders, one holder present in person or by proxy, whatever the amount of his holding.
- (ii) The Company may by ordinary resolution:
 - (aa) increase its authorised share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
 - (bb) consolidate and divide its share capital into shares of a larger amount;
 - (cc) subject to the provisions of the Act, sub-divide its share capital into shares of a smaller amount; and
 - (dd) cancel any shares which have not been taken or agreed to be taken by any person and diminish its authorised share capital by the amount of the shares so cancelled.
- (iii) The Company may, subject to the provisions of the Act and the rights of the holders of any shares or class of shares, issue any share which is to be redeemed or is to be liable to be redeemed at the option of the Company or the holder and may purchase any of its own shares including any redeemable shares.

(c) Dividends and other distributions

- (i) Subject to any special terms as to dividend upon which any shares may be issued or may for the time being be held and to the provisions of the Act, the Company may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the Board. Subject also to the provisions of the Act, the Board may pay such interim dividends, and also any fixed rate dividend, as appear to the Board to be justified by the financial position of the Company. Except insofar as the rights attaching to, or the terms of issue of, any share otherwise provide, all dividends will be declared and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.
- (ii) The Board may withhold payment of all or any part of any dividends (including shares in lieu of dividend) in respect of the Company's shares from a person with a 0.25 per cent. interest (as

defined in the Articles) in those shares or any class thereof if such a person has been served with a notice to that effect after the Board is satisfied that there has been a failure to provide the Company with information concerning interests in those shares required to be provided under a statutory notice.

- (iii) Surpluses arising from the realisation of investments of the Company will not be available for distribution by way of dividend.
- (iv) Any dividend unclaimed after a period of 12 years from the date when it becomes due for payment will, if the Board so resolves, be forfeited and shall revert to the Company.

(d) Transfer of shares

The Ordinary Shares will be in registered form and, in the case of shares held in certificated form may be transferred by instrument in writing in any usual form, or in any other form which the Board may approve. In the case of shares in uncertificated form transfers may be effected by means of a relevant system in accordance with the rules of the relevant system and the Uncertificated Securities Regulations 1995. The instrument of transfer of a certificated share must be executed by or on behalf of the transferor and (in the case of a partly-paid share) the transferee, and the transferor is deemed to remain the holder until the transferee's name is entered in the register. The Board may in its absolute discretion and without specifying any reason refuse to register the transfer of any share which is not fully-paid except where to do so would prevent dealings in shares in the Company taking place on an open and proper basis. The Board may also refuse to register any transfer of certificated shares unless the instrument of transfer is duly stamped (if stampable) and lodged with the Company accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the intending transferor to make such transfer. The Board may also decline to register any transfer if the instrument of transfer is in respect of more than one class of share or, in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred exceeds four. The Board may only decline to register a transfer of an uncertificated share in the circumstances set out in the Uncertificated Securities Regulations 1995 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

The Board may decline to register a transfer of the Company's shares by a person with a 0.25 per cent. interest (as defined in the Articles) in those shares (or any class thereof if applicable) if such a person has been sent a notice after there has been a failure to provide the Company with information concerning interests in those shares required to be provided under a statutory notice unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).

If it comes to the notice of the Board that, without the consent of the Board, a registered holder or beneficial owner of any certificated share is a non-qualified person (as defined below), the Board may at any time serve a notice on such non-qualified person requiring the transfer of the relevant interest in the relevant shares to a person who is not a non-qualified person. If a stock transfer form so transferring the shares and any relevant share certificate(s) have not been received at the registered office of the Company within 28 days of service of the notice, or the person to whom such notice is addressed does not within such period satisfy the Board that the requirements of the notice have been satisfied, the Company may sell the relevant shares on behalf of the holder of the shares by instructing a member of the London Stock Exchange to sell them in accordance with the best practice then obtaining to a person who is not a non-qualified person.

To give effect to any sale of shares pursuant to the preceding paragraph the Board may authorise some person to transfer the shares in question and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or person entitled by transmission to, the shares. The purchaser will not be bound to see to the application of the purchase monies nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of sale will belong to the Company and, upon their receipt, the Company will become indebted to the former holder of, or person entitled by transmission to, the shares for an amount equal to the net proceeds of transfer. No trust will be created in respect of the debt, and no interest will be payable in respect of it, and the Company will not be required to account for any monies earned from the net proceeds of transfer. The Company may employ such monies earned in its business or as it thinks fit.

The Board may, at any time, require the registered holder of any shares to provide evidence that the beneficial owner of those shares is not a non-qualified person and that such shares have not been acquired for the account, or for the benefit, of any non-qualified person or with a view to offering or selling the shares to a non-qualified person or in any jurisdiction in which an offer or sale of shares would not be permitted in the manner contemplated.

For the purposes of the preceding three paragraphs a *non-qualified person* is any person: (i) to whom a transfer of shares would be in breach of any laws or requirements of any country or governmental authority or in circumstances (whether directly or indirectly affecting such persons, and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Board to be relevant) which, in the opinion of the Board, might result in the Company incurring any liability to taxation or suffering any pecuniary or regulatory disadvantage which the Company might not otherwise have incurred or suffered; (ii) whose holding of shares might in the opinion of the Board cause the assets of the Company to be deemed "plan assets" for the purposes of the U.S. Employee Retirement Income Security Act of 1974, as amended; or (iii) to whom a transfer of shares or whose holding of shares might in the opinion of the Board require registration of the Company as an investment company under the U.S. Investment Company Act of 1940.

(e) Duration and winding up

(i) At the fifth annual general meeting of the Company, the Board will propose an ordinary resolution that the Company should continue as an Investment Trust for a further five year period. If such ordinary resolution is not passed, the Board will, within three months, convene an extraordinary general meeting and will propose a special resolution that the Company be wound up voluntarily. On any such special resolution, any member of the Company present in person or by proxy will be entitled to demand a poll, and on any such poll any member who votes in favour of the special resolution will have 100 million votes for every 1p nominal value of share capital of which he is the holder.

(ii) Unless the Company has already been wound up, the Company will be dissolved, for the purposes of section 84 of the Insolvency Act 1986, on the occurrence of any of the following events:

(aa) the issue of the notice of the tenth annual general meeting of the Company provided that the ordinary resolution for the voluntary winding up of the Company contained in that notice is passed at that annual general meeting; and

(bb) the issue of the notice of the fifteenth annual general meeting of the Company provided that the ordinary resolution for the voluntary winding up of the Company contained in that notice is passed at that annual general meeting,

and so on in respect of the issue of the notice of each fifth annual general meeting of the Company thereafter until an ordinary resolution for the voluntary winding up of the Company is passed or until the Company is otherwise wound up.

(iii) The assets available for distribution among the members on a winding up are required to be applied according to the members' rights and interests in the Company. On a winding up the liquidator may, with the sanction of an extraordinary resolution of the Company, divide among the members *in specie* the whole or any part of the assets of the Company.

(f) Borrowing Powers

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Board must restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate principal amount from time to time outstanding of all borrowings (as defined in the Articles) by the Company and its subsidiary undertakings (exclusive of borrowings intra-group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to half the adjusted capital and reserves (as defined in the Articles) of the Company except that during the period up to the date on

which the first audited accounts of the Company are published borrowings must be restricted to an amount equal to half the net proceeds of the Placing.

(g) Directors

(i) Appointment of Directors

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board will hold office only until the next following annual general meeting and will not be taken into account in determining the Directors who are to retire by rotation at that meeting.

(ii) Remuneration of Directors

Each of the Directors shall be paid a fee at such rate as may be determined by the Board provided that the total fees paid to the Directors (excluding amounts payable under other provisions of the Articles) may not exceed in aggregate £100,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Each Director will also be paid his reasonable travelling, hotel and incidental expenses of attending and returning from the meetings of the Board, of committees of the Board or general meetings of the Company or separate meetings of the holders of any class of shares or of debentures or any other meeting which as a Director he is entitled to attend, and shall be paid all expenses properly and reasonably incurred by him in the conduct of the Company's business or in connection with the discharge of his duties as Director.

Any Director who by request of the Board goes or resides abroad for any purpose of the Company or performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration as the Board or any committee authorised by the Board may determine in addition to any other remuneration from the Company.

(iii) Executive Directors

The Board may from time to time appoint one or more of its body to hold any employment or executive office (except that of auditor) with the Company (including that of managing director) for such period (subject to the provisions of the Act) and upon such other terms as the Board may decide and may revoke or vary any appointment so made. A Director so appointed shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide either in addition to or in lieu of his remuneration as Director. Unless the Board otherwise determines, the appointment of a Director to an executive office shall terminate if he ceases to be a Director.

(iv) Retirement of Directors

At every annual general meeting of the Company, as nearly as possible one third of the Directors will retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or reappointed on the same day, will (unless they otherwise agree) be determined by lot. A person who is the sole managing director of the Company shall not whilst holding that office be subject to retirement by rotation or be taken into account in deciding the number of Directors to retire on any occasion.

Directors are not obliged to retire on attaining any particular age.

(v) Restrictions on voting

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, to any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment, of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, a separate resolution may be put in relation to each Director, and in that case each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment, or the settlement or variation of the terms or the termination of his own appointment, or the appointment of another Director, to an office of place

of profit with a company in which the Company is interested and the Director seeking to vote or to be counted in the quorum owns one per cent. or more of it (determined in accordance with the Articles).

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board in respect of any contract in which to his knowledge his interest (taken together with any interest of any person connected with him) is material and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any resolution where that interest arises only from one or more of the following matters:

- (aa) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (cc) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate or in the underwriting or sub-underwriting of which the Director is to participate;
- (dd) any contract or arrangement in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or any of its subsidiaries or by reason of any other interest in or through the Company or any of its subsidiaries;
- (ee) any contract concerning any other company, not being a company in which the Director owns (as defined by the Articles) one per cent. or more of the equity share capital or voting rights, in which he is interested directly whether as an officer, shareholder, creditor or otherwise;
- (ff) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company or any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
- (gg) any employees' share scheme of the Company or any of its subsidiaries under which he benefits in a similar manner as the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the scheme relates; and
- (hh) any contract for the purchase or maintenance for any Director or Directors of insurance against any liability.

(vi) Indemnity of officers

Subject to the provisions of the Act, the Company may indemnify any Director or other officer against any liability and may purchase and maintain, for any Director or other officer or auditor, insurance against any liability. Subject to those provisions, but without prejudice to any indemnity to which the person concerned may otherwise be eligible, every Director or other officer will be indemnified, and if the Board so determines the auditors may be indemnified, out of the assets of the Company against any liability incurred by him as a Director or other officer or as auditor in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or in which he is acquitted (or the proceedings are disposed of without any finding or admission of any material breach of duty on his part) or in connection with any application under the Act in which relief is granted to him by the Court.

(h) Untraced shareholders

The Company, after advertising its intention and waiting for three months and notifying the London Stock Exchange of its intention, may sell any shares in the Company if the shares have been in issue for at least 12 years and during that period at least three cash dividends have become payable on them and no such cash dividends have been claimed or satisfied, and so far as any Director is aware, the

Company has received no indication during the relevant period either of the whereabouts or of the existence of the holder of the shares or any person entitled to them by transmission. Upon any such sale, the Company will become indebted to the former holder of the shares, or the person entitled to them by transmission, for an amount equal to the net proceeds of the sale.

5. Promoters

The Manager and its parent company, Progressive Asset Management Limited, are the promoters of the Company. Save as disclosed in paragraph 9 below, no amount or benefit has been paid or given to them since the incorporation of the Company and none is intended to be paid or given, other than in respect of fees for services which may be rendered in the future.

6. Directors' and other interests

- (a) Save as disclosed in this paragraph 6, no Director has any interest beneficial or otherwise in the share capital of the Company which is required to be notified to the Company under the provisions of sections 324 and 328 of the Act or will require, pursuant to section 325 of the Act, to be entered in the register referred to therein, nor so far as is known to the Directors or could with reasonable diligence be ascertained by the Directors, will any person connected with the Directors (within the meaning of section 346 of the Act) have any interest in the share capital of the Company which is required to be disclosed as above as if the person were a Director. The Directors including their families and connected persons will subscribe in the Placing for the number of Ordinary Shares set out against their respective names as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>
Ted Davis	10,000
Graham Barker	5,000
Michael Taylor	5,000

Save as aforesaid no Director or any member of his immediate family has any interest in any transaction effected by the Company since its incorporation which is or was unusual in its nature or conditions or which is or was significant to the business of the Company.

- (b) Richard Barnett, the managing director of the Manager, will subscribe for 10,000 Ordinary Shares in the Placing.
- (c) Insofar as is known to the Company there are no direct or indirect interests which, immediately following the Placing will or may amount to 3 per cent. or more of the issued share capital of the Company.
- (d) Each of the Directors has been appointed pursuant to the terms of a letter dated 24 October 1997 which provides, *inter alia*, for a fixed term appointment of one year, subject to renewal. It is estimated that a total sum of £53,000 will be payable by the Company to the Directors for the current financial period under the arrangements in force on the date of this document. There are no service contracts in existence between the Company and any of the Directors, nor are any such contracts proposed.

7. Reports and accounts

Copies of the audited financial statements of the Company, which will be made up to 31 August in each year commencing in 1998, will be sent to the shareholders at their registered address not less than 21 days before the date fixed for the annual general meeting of the Company at which they will be considered. Shareholders will also be sent copies of a half-yearly report on the Company and the half-yearly unaudited financial statements of the Company for the six months ending on the final day of February in each year, except that the first such interim report to shareholders will be in respect of the period ending 28 February 1998.

8. General Meetings

The annual general meeting of the Company will be held in the United Kingdom. Notices convening the general meeting in each year at which the audited financial statements of the Company will be considered will be sent to the shareholders at their registered addresses not later than 21 days before the date fixed for the meeting. Other general meetings may be convened from time to time by the Board by sending notices to shareholders at their registered addresses or by shareholders requisitioning such meetings in accordance with English law and will be held in the United Kingdom.

9. Management Agreement

- (a) By an agreement (the "Management Agreement") dated 31 October 1997 between the Company and the Manager, the Company has appointed the Manager to act as the manager of the investments and other assets of the Company provided the Placing becomes unconditional. The Manager may, subject to overriding principles of suitability and best execution, effect transactions for the Company in which the Manager has an interest, which may involve a potential conflict of interest with the Manager's duty to the Company.
- (b) The Manager will be entitled to receive from the Company for its services as manager a basic fee and, in certain circumstances, a performance fee. The basic fee will be payable monthly in arrears (and *pro rata* for any part of a month). This monthly fee will be equivalent to one twelfth of one per cent. of whichever is the lower of (a) the net proceeds of the Placing increased in line with the Retail Prices Index or (b) the Company's Adjusted Market Capitalisation. The Management Agreement defines the "Company's Adjusted Market Capitalisation" as the aggregate closing mid market price of the Company's Ordinary Shares derived from the Daily Official List of the London Stock Exchange on the last Business Day of the month or part of a month for which the basic fee is being calculated plus the aggregate amount, if any, paid by the Company in purchasing its own Ordinary Shares at a Discount in the two year period ending on such Business Day. The amount of any performance fee will be determined according to the formula and subject to the conditions set out on page 11 of this document.
- (c) The Management Agreement provides that the Manager will, at its own expense, provide staff and office accommodation and, save as otherwise agreed, bear the expenses of performing its duties under the Management Agreement. The Company will pay, or reimburse to the Manager, all accountancy, legal and other professional fees and other expenses incurred in connection with the formation and operation of the Company and the pursuit of its investment objectives. The Manager will be responsible for travel, accommodation, subsistence and other costs incurred by the Manager in the general course of managing the Company's investment portfolio but the Company will be responsible for such costs reasonably and properly incurred by the Manager in connection with overseas trips undertaken with the prior approval of the Board specifically to define or promote the Company's strategy with regard to a particular investment or particular investments.
- (d) The Management Agreement is terminable by either party thereto on not less than twelve months' written notice at any time, subject to earlier termination in certain circumstances including on certain breaches or the insolvency of either party.

10. Placing Agreement

- (a) By a placing agreement (the "Placing Agreement") dated 31 October 1997 between the Company, the Manager, and Marshall, Marshall has undertaken to use its reasonable endeavours to procure, as agent for the Company, subscribers for up to 100 million Ordinary Shares subject, *inter alia*, to the London Stock Exchange admitting the Ordinary Shares to the Official List not later than 24 November 1997 or such later date not being later than 27 November 1997 as shall be agreed by the parties. In consideration of its services Marshall will be paid a commission of one per cent. of the gross amount subscribed for cash under the Placing and 0.75 per cent. of the gross value attributed to non-cash consideration under the Placing. Commission at the same rate will be paid by Marshall to member firms of the London Stock Exchange in respect of subscriptions made by persons introduced to Marshall by such member firms.

The Company will pay all costs and expenses of or incidental to the Placing.

- (b) The Company and the Manager have given certain warranties and indemnities to Marshall, including warranties and indemnities relating to the accuracy of these listing particulars and any liabilities arising from their publication.
- (c) The Placing Agreement may be terminated prior to Listing by Marshall in certain circumstances, such as material breach by the Company of its warranties or other obligations under the Placing Agreement.
- (d) The placing letters to be issued by Marshall to placees in connection with the Placing will set out the procedures to be followed by placees who wish to offer securities to the Company in lieu of cash in consideration of an issue to them of Ordinary Shares in the Placing. Under such procedures the

Company will, on Monday, 17 November 1997, conclude agreements, subject to Listing, to acquire specified securities at the mid-market price of such securities as at close of business on Friday, 14 November 1997, as derived from the Daily Official List of the London Stock Exchange. Accordingly, providing Listing occurs, movements in value and all other risks and benefits associated with such securities in the period between conclusion of such agreements and Listing will be for the account of the Company.

- (e) Under the Placing Agreement, the Company and Marshall each represents and agrees that it has not offered and sold the Ordinary Shares, and will not offer and sell the Ordinary Shares (i) as part of their distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and each of them will have sent to any dealer that purchases Ordinary Shares from it during the restricted period a confirmation or notice setting forth the restrictions on offers and sales of Ordinary Shares within the United States or to, or for the account or benefit of, U.S. persons. Notwithstanding the foregoing prohibitions on offers, sales and deliveries in the United States or to U.S. persons, Marshall, through a U.S. broker-dealer registered under the U.S. Securities Exchange Act of 1934, may arrange for a private offer or sale of a portion of the Ordinary Shares to a limited number of institutional investors which are located in the United States or which are U.S. persons under restrictions and other circumstances designed to preclude a distribution that would require registration of the Ordinary Shares under the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

11. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since its incorporation and are, or may be, material:

- (a) the Placing Agreement referred to in paragraph 10 above;
- (b) the Management Agreement referred to in paragraph 9 above;
- (c) a letter dated 8 September 1997 from Price Waterhouse Corporate Finance (and signed on behalf of the Company on 19 September 1997) under which Price Waterhouse Corporate Finance agreed to act as sponsor to the Placing. Price Waterhouse Corporate Finance will receive a fee of £125,000 on Listing;
- (d) an Administration Agreement dated 31 October 1997 between the Company and Cavendish Administration Limited (the "Administrator") under which the Administrator will provide secretarial and administration services to the Company provided the Placing becomes unconditional. The Administrator will receive from the Company a fee at an annual rate of £25,000 plus an amount equal to one tenth of one per cent. of the net proceeds of the Placing. The fee is payable monthly in arrears (and *pro rata* for part of a month) and will be reviewed annually. The agreement will continue until terminated by either party thereto on not less than six months' written notice, subject to earlier termination on breach or, in certain circumstances, either party going into liquidation;
- (e) a Custody Agreement dated 31 October 1997 between the Company and Lloyds Bank Plc (the "Custodian") under which the Custodian has agreed to provide custodian services to, and be responsible for the safekeeping of the assets of, the Company provided the Placing becomes unconditional. The Custodian is entitled to receive an annual fee equal to 0.005 per cent. of the value of the assets of the Company payable monthly in arrears and £15 per transaction. The Custodian is also entitled to reimbursement of its reasonable out-of-pocket expenses (excluding the fees of any sub-custodian). The agreement is terminable on ninety days' notice subject to earlier termination on breach or, in certain circumstances, either party going into liquidation;
- (f) a Registrar's Agreement dated 31 October 1997 between the Company and Northern Registrars Limited (the "Registrar") whereby the Registrar has agreed to act as the Company's registrar provided the Placing becomes unconditional. The Registrar will receive from the Company for its services a quarterly fee calculated by reference to the number of shareholders, activity fees, calculated by reference to the number of transfers of Ordinary Shares and certain additional charges relating to work done in relation to meetings of shareholders and the payment of dividends;
- (g) by a letter dated 31 October 1997, the Company requested the Registrar to act as registrar to the Placing, and the Registrar agreed to the Company's request. The Registrar will receive from the

Company for its services a fee of £250 and will be reimbursed for its ordinary out of pocket expenses;

- (h) a Sponsor's Agreement dated 31 October 1997 between the Company, the Manager and Price Waterhouse Corporate Finance which is supplemental to and amends the letter at (c) above. The Company confirms that Price Waterhouse Corporate Finance is to act as sponsor and certain warranties and indemnities have been given by the Company to Price Waterhouse Corporate Finance.

The contracts referred to in paragraphs (a) to (h) above, contain provisions under which the Company exempts the other parties thereto from liability in certain circumstances and, except in the case of the contract referred to in paragraph (f), indemnifies them in respect of such liability subject to exclusions in, for example, the case of fraud, breach of duty, negligence or wilful default. In addition, the contracts referred to in paragraphs (b), (d), (e) and (f) permit the other parties and their associates to deal with parties other than the Company and to retain profits arising from such dealings. Where applicable, VAT will be charged on the fees payable pursuant to each of the contracts referred to in paragraphs (a) to (g) above.

12. Taxation

The comments below are of a general nature based on the Company's understanding of current law and Inland Revenue practice in the United Kingdom and relate only to investors who are the beneficial owners of Ordinary Shares. In particular, they do not address the position of certain classes of investors, such as dealers. These comments are not exhaustive and do not constitute legal or tax advice.

Potential investors who are in doubt as to their personal tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult their own professional advisers.

The Company

The Company intends to be resident for tax purposes in the United Kingdom. It is the intention of the Directors to ensure that the Company will direct its affairs to enable it to seek approval as an investment trust pursuant to section 842 of the Income and Corporation Taxes Act 1988 (as amended) ("ICTA") in respect of each of its accounting periods and to apply to the Inland Revenue for such approval in respect of each of its accounting periods. Under current legislation, the Company will be exempt from United Kingdom taxation on chargeable gains realised during each accounting period for which such approval is obtained.

The Directors consider that the Company will not be a close company immediately following the Placing and that the Company will not be a close company in its first accounting period. If the Company were designated a close company in any accounting period it would not be possible to obtain approval as an investment trust in respect of that accounting period.

The Directors intend to ensure that the income of the Company will consist wholly or mainly of "eligible investment income" for the purposes of section 842 ICTA and that the Company does not retain in respect of any accounting period more than 15 per cent. of its eligible investment income. If the Company were to retain more than 15 per cent. of such income in any accounting period it would not be possible to obtain approval as an investment trust in respect of that accounting period.

Dividends received from other United Kingdom resident companies (with tax credits attached) will constitute franked investment income and the tax credits attaching thereto may be applied by the Company in franking its own liability for advance corporation tax ("ACT") on dividends paid by it.

Foreign income dividends ("FIDs") received from other United Kingdom resident companies will not be treated as franked investment income but generally may be used by the Company to pay FIDs itself without accounting for ACT on those FIDs. It should be noted that the FIDs regime has been abolished for dividends paid on or after 6 April 1999. However, the government has, since the Finance (No 2) Act 1997 was first published as a bill in draft form, announced that the FIDs regime may be preserved for certain companies with a substantial proportion of foreign income, although the position will remain uncertain until the consultation process is complete.

The income of the Company will be subject to United Kingdom corporation tax after relief for allowable expenses to the extent that it does not consist of franked investment income or FIDs received from United Kingdom resident companies. Income arising from any overseas investment may be subject to foreign

withholding tax at the relevant country's applicable rate. Any such foreign tax may be reduced or eliminated in accordance with the provisions of any double taxation convention between the United Kingdom and the foreign country concerned. Any such foreign tax borne by the Company will normally be creditable against its liability to corporation tax on that income.

There is no United Kingdom withholding tax on dividends but whenever the Company pays a dividend it will be liable to account to the Inland Revenue for ACT in respect of the dividend. The rate of ACT is currently equal to one-quarter of the dividend. ACT paid by the Company can be set off against its liability to corporation tax, subject to certain limits and restrictions.

Until 5 April 1999 the Company may at its option elect to treat a dividend paid by it as a FID. There is no United Kingdom withholding tax on FIDs but whenever the Company pays a FID it will be liable to account to the Inland Revenue for ACT in respect of the FID. The Company will be able to claim a repayment of the ACT nine months after the end of the accounting period in which the FID was paid, subject to provision of appropriate information to the Inland Revenue on the basis that the Company satisfies the requirements of the applicable legislation in Chapter VA, Part VI of ICTA. As noted above, the election to treat a dividend paid as a FID may (with possible exceptions) not be made in respect of dividends paid on or after 6 April 1999.

Investors

(a) Dividends (other than Foreign Income Dividends)

A holder of an Ordinary Share who is an individual resident (for tax purposes) in the United Kingdom and who receives a dividend paid by the Company will be entitled to a tax credit of an amount equal currently to one quarter of the dividend. Where the dividend is paid by the Company on or after 6 April 1999, such a holder will be entitled to a tax credit of one-ninth of the dividend. The individual will be taxable on the total of the dividend and related tax credit, which will be regarded as the top slice of the individual's income. The tax credit will, however, be treated as discharging the individual's liability to income tax in respect of that dividend, unless and except to the extent that the dividend and related tax credit fall above the threshold for the higher rate of income tax, in which case the individual will, to that extent, pay tax on the dividend and related tax credit at a rate equal to the excess of the higher rate (currently 40 per cent.) over the lower rate (currently 20 per cent.). For dividends received on or after 6 April 1999, where the dividend and related tax credit fall above the threshold for the higher rate of income tax, the individual will, to that extent, pay tax on the dividend and related tax credit at a rate equal to the excess of the upper rate (32.5 per cent.) over the rate of tax credit applicable (10 per cent.). If the tax credit exceeds the individual's liability to income tax on the total of the dividend and tax credit, he will be able to claim payment of the excess from the Inland Revenue. The ability to claim repayment of excess tax credits will cease in respect of dividends paid on or after 6 April 1999.

Subject to certain exceptions for some insurance companies with overseas business, a holder of an Ordinary Share which is a company resident (for tax purposes) in the United Kingdom and which receives a dividend paid by the Company will be entitled to a tax credit in respect of the dividend. The recipient company will not be taxable on the dividend and the dividend and related tax credit will generally be treated as franked investment income. The value of the tax credit will be an amount equal currently to one quarter of the dividend.

Subject to certain exceptions for Commonwealth citizens, EEA nationals (as defined in section 278 ICTA), residents of the Isle of Man or the Channel Islands and certain others, the right of a holder of an Ordinary Share who is not resident (for tax purposes) in the United Kingdom to a tax credit in respect of a dividend received from the Company and to claim payment of any part of that tax credit will depend on the existence and terms of any double taxation convention between the United Kingdom and the country in which the holder is resident. Holders of Ordinary Shares who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if so, the procedure for doing so.

(b) Foreign Income Dividends

A holder of an Ordinary Share who is an individual resident (for tax purposes) in the United Kingdom and who receives a FID paid by the Company will not be entitled to any tax credit in respect of the FID. The individual will, instead, be treated as having received a gross payment of an

amount which, when reduced by income tax at the lower rate, is equal to the FID paid by the Company. If the individual pays income tax at only the lower rate or the basic rate on his total income (including the FID), the individual's liability to income tax on the grossed-up FID will be treated as satisfied. If and to the extent, however, that the grossed-up dividend falls above the threshold for the higher rate of income tax, the individual will, to that extent, pay tax on the grossed-up FID at a rate equal to the excess of the higher rate over the lower rate. If the individual is not liable to income tax, he will not be able to make any claim for repayment of tax in respect of the FID. Furthermore, any other holder of an Ordinary Share that is not liable to income tax will not be able to make any claim for repayment of tax in respect of any FID received by it.

A holder of an Ordinary Share that is a company resident (for tax purposes) in the United Kingdom and that receives a FID paid by the Company will not be subject to tax in respect of the FID. The FID will not be treated as franked investment income but generally that company may use the FID to pay a FID without itself accounting for ACT. An investor who is not resident (for tax purposes) in the United Kingdom will not be able to claim a repayment of tax in respect of any FID notwithstanding the existence and terms of any double taxation convention between the United Kingdom and the jurisdiction in which that investor is resident.

As noted in the comments above relating to the taxation of the Company, the current position is that the Company will not be able to pay or receive FIDs after 5 April 1999.

(c) Taxation of Chargeable Gains

Shareholders who are resident or ordinarily resident (for tax purposes) in the United Kingdom may, depending on their personal circumstances, be liable to United Kingdom taxation on chargeable gains arising from the sale or other disposal of their Ordinary Shares.

Shareholders who are not resident or ordinarily resident (for tax purposes) in the United Kingdom will not normally be liable to United Kingdom taxation on chargeable gains arising from the sale or other disposal of their Ordinary Shares, although they may be subject to charges to foreign taxation depending on their personal circumstances.

(d) Stamp Duty or Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax (SDRT) will be payable on the issue of the Ordinary Shares pursuant to the Placing.

The transfer of Ordinary Shares will generally be liable to United Kingdom *ad valorem* stamp duty at the rate of 50p for every £100 (or part thereof) (or, if an unconditional agreement to transfer such Ordinary Shares is not completed by a duly stamped transfer, to SDRT at the rate of 0.5 per cent.) of the value of the consideration paid for the relevant transfer.

The above statements regarding United Kingdom stamp duty and SDRT do not apply to the issue or transfer of Ordinary Shares to persons to whom the depository receipt or clearance service charge applies.

13. General

- (a) The Company has not traded since incorporation and has not been and is not currently engaged in any litigation or arbitration nor, so far as the Company is aware, is there any litigation or arbitration pending or threatened which may have or has had a significant effect on the Company's financial position.
- (b) Save as disclosed in paragraph 2 above, there has been no significant change in the financial or trading position of the Company since the date of its incorporation.
- (c) The Company has not had since its incorporation, and does not expect that it will have, any employees.
- (d) The principal place of business and registered office of the Company is at Crusader House, 145-157 St. John Street, London EC1V 4QJ.
- (e) Dividends on the Ordinary Shares will be paid to those holders of Ordinary Shares on the register of members on the record date for such dividend. Such record date will normally be between 4 and 6 weeks before the date of payment of the dividend.

- (f) The gross proceeds of the Placing are estimated to be between £35 million and £100 million. The costs and expenses of, and incidental to, the Placing and the admission of the Ordinary Shares to the Official List of the London Stock Exchange (inclusive of irrecoverable VAT) are estimated to be between £0.69 million and £1.37 million, depending on the level of subscriptions under the Placing (equivalent to between 2.0 per cent. and 1.4 per cent. of the gross proceeds of the Placing). Accordingly, the net proceeds of the Placing which will be available for investment by the Company are estimated to be between £34.31 million and £98.63 million, depending on the level of subscriptions under the Placing.
- (g) The placing price of 100p per Ordinary Share represents a premium of 99p to the nominal value of 1p of the Ordinary Shares.
- (h) The Manager has given, and has not withdrawn, its written consent to the issue of this document with the inclusion of its name and its opinions in Part 1 hereof and under the heading "Key features" on page 3 hereof. The Manager has authorised the use of its name for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- (i) Price Waterhouse Corporate Finance has given, and has not withdrawn, its written consent to the issue of this document with the inclusion of its name in the context in which it appears.
- (j) The market data described in the paragraph headed "The investment opportunity" on page 6 of this document has been derived from research of NatWest Securities Limited and data published by the Association of Investment Trust Companies. The data from which the Manager has calculated the performance comparisons described in the paragraph headed "Potential investments" on pages 7 and 8 of this document have been derived from research of NatWest Securities Limited.
- (k) Up to 2 million Ordinary Shares will be offered to independent market makers in the Placing. Otherwise, none of the Ordinary Shares have been marketed or made available to the public.

14. Documents Available for Inspection

Copies of the following documents may be inspected during usual business hours on any business day (Saturdays and public holidays excepted) at the offices of Freshfields, 65 Fleet Street, London EC4Y 1HS and at the registered office of the Company, Crusader House, 145-157 St. John Street, London EC1V 4QJ during the period of 14 days from the date of this document:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the material contracts referred to in paragraph 11 above; and
- (c) the written consent referred to in paragraph 13(h) and (i) above.

31 October 1997