

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services Act 1986. If you have sold or transferred all your shares in The Fleming Geared Income & Assets Investment Trust plc, please pass this document and the accompanying forms of proxy and voting instruction forms to the purchaser or to the stockbroker, bank manager or other agent through whom the sale or transfer was effected for transmission to the purchaser.

A copy of this document, which comprises listing particulars relating to The Fleming Geared Income & Assets Investment Trust plc prepared in accordance with the listing rules made under Part IV of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration as required by Section 149 of that Act. Application has been made to the London Stock Exchange for the new preferred shares and the warrants to be issued under the proposals to be admitted to the Official List. Dealings are expected to commence in the new preferred shares and the warrants on Monday, 21 October 1996.

Persons receiving this document should note that, in connection with the proposals, Credit Lyonnais Laing, which is regulated by The Securities and Futures Authority Limited and is a member of the London Stock Exchange, is acting for The Fleming Geared Income & Assets Investment Trust plc and no-one else and will not be responsible to any other person for providing the protections afforded to customers of Credit Lyonnais Laing or advice in connection with the proposals.



THE FLEMING GEARED INCOME & ASSETS INVESTMENT TRUST PLC

Capital reorganisation involving bonus issues of new preferred shares
and warrants to preferred shareholders

Change of name

Adoption of new Articles of Association

Notices of a separate meeting of ordinary shareholders, a separate meeting of preferred shareholders and an extraordinary general meeting of the Company convened for 11.00 a.m., 11.05 a.m. and 11.10 a.m. respectively (or as soon thereafter as the immediately preceding meeting shall have been completed or adjourned) on Friday, 11 October 1996 are set out at the end of this document.

To be valid the appropriate enclosed forms of proxy or voting instruction forms should be completed and returned to the Company's registrars, Lloyds Bank Registrars, The Causeway, Worthing, West Sussex BN99 6DB (in the case of forms of proxy) or The Plan Manager, FREEPOST, Romford RM1 3XE (in the case of voting instruction forms) as soon as possible but in any event so as to arrive not later than 48 hours prior to the relevant meeting (in the case of forms of proxy) and not later than 10.00 a.m. on Thursday, 3 October 1996 (in the case of voting instruction forms). Completion and return of a form of proxy or a voting instruction form does not preclude members or participants in the Fleming Plans from attending and voting in person should they so wish.

In view of the quorum requirements for the separate meetings, you are particularly requested to complete and return the relevant forms of proxy or voting instruction forms.

16 September 1996

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EXPECTED TIMETABLE

Latest time for receipt of voting instruction forms from participants in the Fleming Plans	10.00 a.m. on Thursday, 3 October 1996
Latest time for receipt of forms of proxy for the separate meeting of ordinary shareholders	11.00 a.m. on Wednesday, 9 October 1996
Latest time for receipt of forms of proxy for the separate meeting of preferred shareholders	11.05 a.m. on Wednesday, 9 October 1996
Latest time for receipt of forms of proxy for the extraordinary general meeting	11.10 a.m. on Wednesday, 9 October 1996
Record date for the bonus issues of new preferred shares and warrants	close of business on Monday, 14 October 1996
Separate meeting of ordinary shareholders	11.00 a.m. on Friday, 11 October 1996
Separate meeting of preferred shareholders	11.05 a.m. on Friday, 11 October 1996
Extraordinary general meeting of shareholders	11.10 a.m. on Friday, 11 October 1996
Calculation date	close of business on Friday, 11 October 1996
Effective date and commencement of dealings in new preferred shares and warrants	Monday, 21 October 1996
Posting of certificates for preferred shares and warrants	Monday, 21 October 1996

DEFINITIONS

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

"Act"	Companies Act 1985 (as amended)
"Articles"	the existing Articles of Association of the Company
"calculation date"	the close of business on the date, expected to be Friday, 11 October 1996, by reference to which the exercise price of the warrants, the rate of the bonus issue of new preferred shares and the new dividend rate on the preferred shares will be calculated
"Company" or "Fleming Geared"	The Fleming Geared Income & Assets Investment Trust plc
"Credit Lyonnais Laing"	Credit Lyonnais Securities, trading as Credit Lyonnais Laing
"Directors" or "Board"	the board of directors of Fleming Geared
"effective date"	the date, expected to be Monday, 21 October 1996, when the proposals will become effective
"existing preferred shares"	the existing 16,993,099 6.3-13.3% cumulative limited participating preferred shares of £1 each in the Company
"Fleming Plans"	the Fleming Investment Trusts Share Plan and the Fleming Investment Trusts Personal Equity Plan
"London Stock Exchange"	London Stock Exchange Limited
"Manager" or "FITM"	Fleming Investment Trust Management Limited, the manager and secretary of the Company
"new preferred shares"	the new preferred shares of £1 each in the Company to be issued in connection with the proposals
"new Articles"	the proposed new Articles of Association of the Company
"ordinary shares"	ordinary shares of 50p each in the Company
"ordinary shareholders"	holders of ordinary shares
"preferred shares"	existing preferred shares and new preferred shares
"preferred shareholders"	holders of existing preferred shares
"proposals"	the proposed capital reorganisation of the Company and the other changes described in this document
"record date"	the close of business on 14 October 1996
"warrants"	warrants to subscribe for one ordinary share on 23 May 2008 whose terms are set out in full in Part III of this document
"warrantholders"	holders of warrants

For the purposes of Parts I, II and V of this document, references to, examples using and statements based on, asset values are based on the unaudited figures supplied to the Association of Investment Trust Companies as at 31 August 1996. For the purposes of this document, no account has been made of the expenses of implementing the proposals. The calculations to be made as at the calculation date, however, will take into account those expenses.

PART I

THE FLEMING GEARED INCOME & ASSETS INVESTMENT TRUST PLC

(An investment company within the meaning of Section 266 of the Companies Act 1985: registered in England and Wales No. 1805708)

Directors:

J.D. Webster (Chairman)

Sir Hugh Bidwell, G.B.E.

B.G. Hill

C.R. Tracey

J.G. Tregoning

Registered Office:

25 Copthall Avenue

London EC2R 7DR

16 September 1996

To ordinary shareholders and preferred shareholders

Dear Shareholder,

Proposed capital reorganisation

Introduction

In the report and accounts for the year ended 31 May 1996, your Directors stated that they had been concerned for some time about the level of discount at which the Company's ordinary shares trade relative to their net asset value and this letter details proposals which are intended to address this concern. The average discount over the year to 31 August 1996 of the ordinary shares to their net asset value was some 34 per cent. and, more importantly, the average discount of the aggregate market capitalisation of the ordinary and existing preferred shares to the Company's total net assets was some 18 per cent. In part, the level of discount reflects the premium to net asset value at which the existing preferred shares trade because of their high dividend rate. Your Directors believe, however, that the Company's unusual and complex capital structure and its classification as a split-capital investment trust discourage potential investor interest in the Company and this has increased the discount.

The Board has been considering a number of ways whereby the appeal of the Company's shares might be increased and its rating in the stockmarket thereby improved without detriment to the attractive features of the Company. As a result, the Company announced today a set of proposals designed to make the Company's capital structure more conventional and thus increase its attraction to potential investors, while at the same time preserving substantially the existing economic benefits attributable to each class of its shares. These proposals are summarised below and details are set out in Part II of this document. On pages 40 to 43 there are notices of an extraordinary general meeting of the Company and separate class meetings of the preferred and the ordinary shareholders, to be held on Friday, 11 October 1996, to consider and, if thought fit, approve the resolutions required to implement the proposals.

Summary of proposals

In summary, the background to the proposals, the proposals themselves and their effects and benefits, each of which are described in greater detail in Part II of this document, are set out below:

Background to the proposals

- Fleming Geared is currently classified in the stockmarket as a split-capital investment trust. It has equal numbers of ordinary and participating preferred shares and is due to be wound up between 1 January 2008 and 31 December 2010.
- The existing preferred shares have a high fixed dividend entitlement and a 10 per cent. share in capital appreciation. These shares currently trade at a significant premium to net asset value.
- The ordinary shares are entitled to all surplus income and to a 90 per cent. participation in capital appreciation. These shares currently trade at a substantial discount to net asset value.
- The combined market value of the ordinary and the existing preferred shares is presently significantly less than the value of the Company's net assets.
- The Directors believe that the unique capital structure of the Company disguises the underlying features of the two classes of share capital and that this reduces the appeal of the shares to potential investors. They believe, however, that the underlying economic effects of the structure are attractive to certain categories of investors.

The proposals

- The Directors are proposing a restructuring which primarily involves splitting the rights of the existing preferred shares into their two underlying conventional components:
 - preferred shares entitled to a high fixed dividend entitlement but no participation in capital growth; and
 - warrants to subscribe for ordinary shares in 2008 enabling the holder to participate in the Company's capital appreciation following the reorganisation.
- A bonus issue of new preferred shares will be made to preferred shareholders and the rights of the preferred shares will be adjusted, so that they will be entitled to a fixed 100p per share on a return of capital. The aggregate amount to which a preferred shareholder will be entitled on a return of capital will be approximately equal to the net asset value attributable to his existing holding at the calculation date.
- The dividend rate per preferred share will be adjusted to reflect the bonus issue such that the aggregate dividends paid to the holders of the preferred shares will be unchanged.
- The winding-up date of the Company will be fixed as 31 May 2008.
- The directors will be required to distribute to ordinary shareholders substantially all of the Company's revenue reserve (which was 18.0p per ordinary share at 31 May 1996) prior to 23 May 2008.
- The Company's name will be shortened to The Fleming Geared Investment Trust plc.

Effects and benefits of the proposals

- The Company will have a conventional capital structure of:
 - ordinary shares entitled to all capital growth and surplus income with their existing significant income and capital gearing maintained;
 - warrants to subscribe for ordinary shares in 2008; and
 - preferred shares with fixed capital and income rights.
- The Company will have a single and fixed winding up date.
- The Company should not be classified by the stockmarket as a split-capital investment trust.
- The entitlements of each class of shareholder will not be fundamentally altered as a result of the proposals.
- There will be no change in the Company's investment policies.
- Preferred shareholders will have their entitlement to future capital growth embodied in the warrants, which they will be able to deal in separately from the preferred shares.
- The more conventional capital structure of the Company should, the Directors believe, increase the appeal of each class of capital to investors.

Structure following implementation of the proposals

Following implementation of the proposals, the Company will have three classes of security and the rights, characteristics and risks of each are set out below.

Ordinary Shares

The ordinary shares will be entitled to all the Company's income not paid out in dividends on the preferred shares. On a return of capital on a winding-up they will be entitled to all remaining assets after each preferred share has received 100p.

Their asset performance, therefore, will continue to be geared to any change in the value of the Company's total assets. Every increase of 1.0 per cent. in the value of the Company's assets over that on 31 August 1996 will produce an increase of 1.3 per cent. in the net asset value per ordinary share. The dividends currently paid on the ordinary shares are relatively small because of the high dividend entitlement of the preferred shares. There is, however, and will continue to be potential for dividends on the ordinary shares to grow significantly over the remaining life of the Company due to the income gearing provided by the preferred shares and the distribution of the revenue reserve. Every increase of 1.0 per cent. in revenue after taxation over that for the year ended 31 May 1996 will lead to an increase of 4.2 per cent. in earnings per ordinary share out of which ordinary dividends may be paid.

The Directors will be required to distribute substantially all of the revenue reserve in dividends to ordinary shareholders prior to 23 May 2008 and it is the Board's intention to use the revenue reserve over the period to 2008 to facilitate a smoother growth and higher level of ordinary dividends than would otherwise be possible.

The table below shows the impact on the dividend per ordinary share of reducing the revenue reserve to zero over the period to 2008, together with an assumed rate of growth in the revenue after taxation received from the portfolio.

Growth in revenue % p.a.	Growth in ordinary dividend % p.a.
0	3.6
2	11.1
4	16.5
6	21.0

The ordinary shares, therefore, are likely to be attractive to those investors who are seeking income and capital growth with a relatively low immediate income and who are prepared to take an above-average risk. The returns from owning the ordinary shares will be strongly affected by any increase (or decrease) in the Company's income and asset value.

Warrants

Each warrant will give the holder the right to subscribe for one ordinary share on 23 May 2008 at approximately the net asset value (excluding the revenue reserve) per ordinary share as at the calculation date. If the Company is wound up as scheduled in 2008, warrant holders will not be required to subscribe cash to realise the intrinsic value of the warrants but will be entitled to a cash payment on the Company's liquidation.

The warrants carry no entitlement to income. The warrants, therefore, are likely to be attractive to those investors seeking above-average capital growth through a geared exposure to future growth in the Company's assets. They therefore involve a high degree of risk.

Preferred shares

The preferred shares will be entitled to relatively high fixed annual dividends and on a return of capital they will be entitled to 100p per share in priority to the ordinary shares. For illustrative purposes, this dividend would have been 10.98p per share, net of tax, had the calculation date been 31 August 1996.

The preferred shares, therefore, are likely to be attractive to those investors seeking a high current fixed income. Investors in them must appreciate that, as at present, they will suffer a capital loss over the period to the scheduled wind-up date in 2008 when they are due to be repaid at 100p per share.

Conditions of the proposals

The implementation of the proposals is conditional on the passing of the extraordinary resolutions and the special resolution set out at the end of this document and on the admission of the new preferred shares and the warrants to the Official List of the London Stock Exchange and such admission becoming effective.

Meetings

A notice convening an extraordinary general meeting of the Company for 11.10 a.m. (or as soon as the separate meetings described below shall have been completed or adjourned) on Friday, 11 October 1996, at which both ordinary and preferred shareholders will be entitled to attend and vote, is set out at the end of this document. At this meeting, a special resolution will be proposed to:

- (i) increase the authorised share capital of the Company from £27,000,000 to £35,000,000 by the creation of 2,000,000 new ordinary shares and 7,000,000 new preferred shares to accommodate the new preferred shares to be issued in the proposed bonus issue and the additional ordinary shares that will be issuable on the exercise of the warrants;

- (ii) authorise and empower the Directors to allot new preferred shares and warrants under the proposals;
- (iii) authorise the bonus issue of warrants;
- (iv) authorise the capitalisation issue of new preferred shares;
- (v) redesignate the existing cumulative limited participating preferred shares as cumulative preferred shares;
- (vi) authorise the Company to purchase warrants for cancellation;
- (vii) adopt new Articles of Association; and
- (viii) change the name of the Company to "The Fleming Geared Investment Trust plc".

As the proposals constitute a variation of the rights attaching to the ordinary shares and to the existing preferred shares, separate meetings of each class of shareholder to sanction the proposals have also been convened for Friday, 11 October 1996 to precede the extraordinary general meeting. Notices convening these separate meetings are set out at the end of this document.

The quorum required for each of the separate meetings of ordinary shareholders and preferred shareholders is holders present (whether in person or by proxy) representing at least one third in nominal amount of the issued shares of the class concerned. If these quorum requirements are not satisfied, the relevant meeting(s) will be adjourned to Monday, 14 October 1996 as set out in the notices of meetings set out at the end of this document. At the adjourned meeting(s) those holders present (whether in person or by proxy) will constitute a quorum.

To obviate the necessity of adjourned meetings, holders are urged to complete and return the relevant forms of proxy or voting instruction forms as soon as possible. Duly completed and returned forms of proxy and voting instruction forms will be valid for the adjourned meetings.

Action to be taken

(a) Registered shareholders

If you are a registered shareholder, you will find enclosed with this document a white form of proxy for use in connection with the extraordinary general meeting. Separate blue and pink forms of proxy are enclosed, as appropriate, for the separate meetings of ordinary shareholders and preferred shareholders respectively. Completion and return of a form of proxy will not preclude you from attending the relevant meeting and voting in person, should you so wish.

Whether or not you intend to be present at the meetings, you are requested to complete and return the relevant forms of proxy in accordance with the instructions printed thereon as soon as possible, but in any event so that they are received not later than 48 hours prior to the relevant meeting.

(b) Participants in the Fleming Plans

(i) Fleming Investment Trusts Share Plan

If you are the beneficial owner of shares held through the Fleming Investment Trusts Share Plan, you will find enclosed a brown voting instruction form for use in connection with the extraordinary general meeting. Separate orange and red voting instruction forms are also enclosed, as appropriate, for the separate meetings of ordinary shareholders and preferred shareholders respectively.

(ii) Fleming Investment Trusts Personal Equity Plan

If you are the beneficial owner of shares held through the Fleming Investment Trusts Personal Equity Plan, you will find enclosed a green voting instruction form for use in connection with the extraordinary general meeting. Separate grey and yellow voting instruction forms are enclosed, as appropriate, for the separate meetings of ordinary shareholders and preferred shareholders respectively.

preferred and ordinary share has one vote on a poll and there is an equal number of each class of share in issue, so that on any resolution on which both classes are entitled to vote each class has in total an equal number of votes.

(e) Share ownership

At 31 May 1996, the Company had a comparatively small number of shareholders (approximately 930 preferred shareholders and 1,150 ordinary shareholders) with around 80 per cent., a relatively high proportion, of both classes of share being owned by institutional investors. These patterns of ownership are considered by the Directors to reflect the unusual and complex nature of the existing entitlements of each class of share.

(f) Classification

The Company is classified by the Association of Investment Trust Companies and by the stockmarket as a split-capital investment trust. Typically, one class of the shares of such companies is entitled to all of a company's income and another to all (or substantially all) of a company's capital appreciation.

The Company's capital structure does not, however, conform to this pattern as (i) the existing preferred shares are entitled to only a fixed income and are also entitled to a small part of the capital appreciation and (ii) the ordinary shares are entitled to all surplus income and substantially all of the capital appreciation.

The Directors consider this classification into an inappropriate sub-sector as a further reason for the low level of investor interest in the Company's shares.

The proposals

(a) Ordinary shares

The number of ordinary shares owned by each ordinary shareholder will not be altered by the proposals. The economic entitlements of ordinary shareholders will not be altered except that they will bear 100 per cent. of any decline in the value of shareholders' funds below their valuation as at the calculation date instead of only 90 per cent. as now. The Board believes that the likelihood of a net decline in shareholders' funds over approximately 11½ years is small.

The Board has already declared its intention to distribute the Company's revenue reserve over the remaining life of the Company to facilitate a higher level of annual dividend. If the proposals are implemented, the Directors will be obliged under the new Articles to distribute substantially all of the Company's revenue reserve to ordinary shareholders prior to 23 May 2008.

(b) Preferred shares

The preferred share capital will be reorganised so that each preferred shareholder on the register at the record date will receive a bonus issue of new preferred shares and the dividend rate on the existing preferred shares will be adjusted so that each holder of preferred shares will receive the same total dividend on his enlarged holding, subject to rounding. The preferred dividend rate will be adjusted to the number which will be 13.3 multiplied by 100 and divided by the net asset value per existing preferred share in pence as at the calculation date rounded to two decimal places. The bonus issue will be on the basis of, for every existing preferred share held on the record date, such number of new preferred shares as equals the decrease in the dividend rate from 13.3p per share divided by the new dividend rate per share, rounded to six decimal places. Fractional entitlements to new preferred shares will not be allotted to preferred shareholders but will be aggregated and sold for the benefit of the Company.

For illustrative purposes, and on the basis of the unaudited net asset value per existing preferred share as at 31 August 1996 of 121.1p, the annual dividend per existing preferred share would be reduced from 13.3p to 10.98p per share and the bonus issue would be at the

rate of 21.1293 per cent. or 211 new preferred shares for every 1,000 existing preferred shares held on the record date. The first dividend on the preferred shares at the adjusted rate will be paid on 30 November 1996.

It is also proposed to redesignate the existing preferred shares as cumulative preferred shares of £1 each with their adjusted dividend rate, as opposed to their present designation as 6.3 - 13.3% cumulative limited participating preferred shares of £1 each. This change would reflect the facts that their income entitlement has already become fixed at 13.3p and that, if the proposals are implemented, preferred shareholders' participation in future appreciation of the Company's assets will have been replaced by their holding of warrants as described below. Each existing preferred share's rights will be adjusted so that they will be entitled to a fixed 100p per share on a return of capital.

On the basis of the Company's assets as at 31 August 1996 there would be in issue after the reorganisation 16,993,099 ordinary shares, 20,583,621 10.98 per cent. preferred shares each entitled to 100p on a winding-up and 1,888,122 warrants each exercisable into one ordinary share at 290.2p on 23 May 2008.

The new preferred shares will be credited as fully-paid. They will rank in full for all dividends or other distributions declared, made or paid on the preferred shares after the date of their issue including the semi-annual dividend to be paid on the preferred shares on 30 November 1996 and will otherwise rank *pari passu* in all respects with the existing preferred shares (as varied by the proposals).

(c) Warrants

To replace the existing preferred shares' entitlement to future capital growth, preferred shareholders on the register at the record date will also receive a bonus issue of 1,888,122 warrants in the ratio of one warrant for every nine existing preferred shares held. Each warrant will initially be exercisable into one new ordinary share on 23 May 2008 at an exercise price representing that net asset value of an ordinary share (excluding the revenue reserve) rounded to one decimal place which is equivalent to that which would give rise to a net asset value of the existing preferred shares as a class equal to the par value of the preferred shares in issue following implementation of the proposals. On the basis of the unaudited net asset value per ordinary share as at 31 August 1996, the exercise price of the warrants would be 290.2p.

The warrants will carry economic benefits of a similar kind to conventional investment trust warrants but will have two distinctive characteristics:

- (i) they will, except in certain limited circumstances, only be exercisable on a single day - 23 May 2008, shortly before the date proposed to be fixed for the winding-up of the Company (see paragraph (d) below); and
- (ii) if they are not exercised by a cash subscription for ordinary shares on 23 May 2008 and the Company is voluntarily wound up on the proposed fixed winding-up date (31 May 2008), warrant holders will be entitled to receive in cash, as part of the liquidation of the Company, the difference between the exercise price and the amount to be paid per ordinary share in the liquidation (assuming exercise in full of the warrants). This cash entitlement will be distributed to the warrant holders by the liquidator.

The purpose of the warrants having these characteristics is to replicate as closely as possible the existing preferred shares' current entitlement to receive on a winding-up 10 per cent. of the growth in the value of the Company's net assets.

If the Company is not wound up on the proposed fixed winding-up date but continues in existence, any warrants which have not been exercised will cease to be exercisable by the holder and the Directors will, within fourteen days thereafter, appoint a trustee to act on behalf of the holders of any unexercised warrants (other than those who have instructed the trustee not to exercise the warrants held by them) who will for a period of fourteen days

after his appointment, seek to exercise such warrants and to sell the resulting shares, provided that he can realise more than the relevant subscription price and all associated expenses. The trustee will then distribute the net proceeds *pro rata* to such holders. If the trustee does not exercise the outstanding warrants, they will automatically lapse.

The terms and conditions of the warrants are set out in full in Part III of this document. These have been prepared so as to make the warrants eligible for admission to CREST and to enable warrant holders, if they choose, to hold and transfer the warrants in CREST.

Fractional entitlements of new warrants will not be allotted but will be aggregated and sold in the market for the benefit of the Company.

The rate of the bonus issue of new preferred shares to be issued to the holders of the existing preferred shares, the exercise price of the warrants and the new annual dividend rate on the preferred shares will be announced shortly before the effective date.

(d) Winding-up date

Currently the Company may be wound up, at the discretion of the Directors, at any time between 1 January 2008 and 31 December 2010. However, it is no longer the practice for investment trusts with finite lives to have such long time periods during which they may be wound up at the Directors' discretion. The Directors consider it would benefit shareholders, reduce uncertainty and simplify the analysis by investors and their advisers of the potential returns from the Company's shares if the Company had a single and fixed winding-up date. The Directors therefore propose that the Company should be wound up on 31 May 2008, which will be the end of its financial year in 2008, unless the ordinary shareholders, and (except in certain limited circumstances) the preferred shareholders and the warrant holders, give prior separate consents before such date releasing the Directors from the obligation to propose a resolution on that date winding up the Company.

(e) Voting rights

Currently each existing preferred share and each ordinary share has one vote and, since there is an equal number of each class in issue, each class has the same total number of votes on any resolution on which both classes of share are entitled to vote. After the reorganisation there will be a greater number of preferred shares than ordinary shares in issue leading to an imbalance of voting power when the two classes are voting together (which they are entitled to do at general meetings when the dividend on the preferred shares is more than six months in arrears or when a resolution to be proposed at the meeting affects the rights of the preferred shareholders or is for winding up the Company or reducing its share capital). In order to retain the existing voting balance, it is proposed that, at general meetings of the Company where preferred and ordinary shareholders are entitled to vote together, the voting rights of the ordinary shares will be adjusted so that each class of share has in aggregate an equal number of votes.

(f) New Articles of Association

The Company's Articles will need to be substantially amended to reflect the proposed changes in the capital and income entitlements and voting rights of the shares and the fixed date for its winding-up. In addition some minor and technical amendments are needed to meet new requirements of the London Stock Exchange which have been introduced since the Company adopted its Articles in 1993. The Directors therefore consider it would be simpler to adopt a new set of Articles. Details of the principal differences between the Articles and the new Articles are set out in Part IV of this document.

(g) Name of the Company

It is proposed to shorten the name of the Company by changing it to "The Fleming Geared Investment Trust plc".

(b) AITC sector and share listings

After the proposed reorganisation, because the existing preferred shares will cease to have an equity entitlement and will become conventional preference shares with a fixed annual income and a fixed capital entitlement of 100p on a winding-up, the Company should no longer be perceived by the stockmarket as a split-capital investment trust. It intends, therefore, to apply to The Association of Investment Trust Companies to be re-categorised from the Split-Capital Sector to the UK Income Growth Sector. The Company's investment policies will, however, remain unchanged.

Application will also be made to the FT-SE Actuaries Industry Classification Committee for the Company to be re-categorised from the Split Capital Investment Trust sector to the Investment Trust sector, although it is expected that any such re-categorisation would only become effective in January 1997, following the next meeting of the Committee in December 1996.

Effects of the proposals

(a) Ordinary shares

The ordinary shareholders will continue to be entitled to all the Company's net income after payment of the dividends on the preferred shares and thus to all increases in the Company's future income. The capital entitlements of the holders of existing ordinary shares on a winding-up of the Company, assuming that the shareholders' funds of the Company do not diminish between the calculation date and the date of the winding-up, will be the same after the implementation of the proposals as now. This is because the 10 per cent. entitlement of the existing preferred shares to any future increase in the value of the Company's net assets will be embodied in the warrants which are to be distributed as a bonus issue to the preferred shareholders. Therefore, the net asset value per ordinary share (excluding the revenue reserve) after the implementation of the proposals, provided shareholders' funds do not fall from their amount on the calculation date, will be the same, after allowing for any dilution from the exercise of the warrants and for distribution of the Company's revenue reserve, as it would have been with the present capital structure. Following implementation of the proposals, the Company will have the power to buy its warrants for cancellation. The Board only intends to use this facility if it would increase fully diluted net asset value per ordinary share.

The only variation in the entitlements of the ordinary shares will be that, after the reorganisation, the ordinary shareholders will bear 100 per cent. of any decline in the value of shareholders' funds below their value at the calculation date instead of only 90 per cent. as now. However the Directors believe that the likelihood of a decline in such value over the approximately 11½ years to the proposed fixed winding-up date is small. The Directors also believe that the benefits to the ordinary shareholders of the proposals in terms of the potential for a narrower discount and of fixing the Company's winding-up relatively early in the current three year period should be more than sufficient to compensate for the slight risk that shareholders' funds might decline from their value at the calculation date over the remainder of the Company's life.

The Directors believe that the change in the capital structure of the Company and its expected reclassification should make the attractive features of the Company's ordinary shares more readily understood by investors.

(b) Existing preferred shares

The effect of these changes will be to fix the entitlements of the preferred shares for the remainder of the Company's life at approximately the levels of the existing preferred shares on the calculation date. Though there will be a greater number of preferred shares in issue as a result of the bonus issue, their total annual income entitlement of £2,260,082 will be unaltered and their aggregate capital entitlement at winding-up will be fixed at its level on the calculation date (which would have been £20.6m based on unaudited net asset values as

at 31 August 1996), in both cases subject to rounding. The current entitlement of the preferred shareholders on a winding-up to 10 per cent. of any future growth in the Company's assets will be replaced by the warrants which will be distributed to the preferred shareholders on a *pro rata* basis. The warrants will make such entitlement available in a more conventional form.

However the preferred shareholders will not bear, as they do now, 10 per cent. of any decline in the value of shareholders' funds below their level at the calculation date and all of any such decline will be borne by the ordinary shareholders. The Directors consider this change is a reduction in risk and, therefore, a potential benefit for the preferred shareholders, against which must be set the proposed fixing of the Company's winding-up relatively early in the current three year period, albeit at a date later than might have been fixed by the Directors.

The Directors believe that the combined market value of the preferred shares and warrants which a preferred shareholder will hold following implementation of the proposals should, under current market conditions, be no less than the market value of his current holding.

Taxation

The following paragraphs summarise the advice received by the Directors on the United Kingdom taxation implications for the Company and holders of ordinary shares and preferred shares in the Company if the proposals are implemented. The information set out below is based on the law and practice which currently applies and is intended to be a general guide only and will not apply to certain holders of ordinary shares or preferred shares (such as dealers). Additional general information on the taxation of the Company and dividends paid on ordinary and preferred shares is contained in paragraph 10 of Part V of this document.

If you are in any doubt about your taxation position if the proposals are implemented, or if you may be subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

The Company

Implementation of the proposals will not affect the Company's eligibility for approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988.

Ordinary shareholders

Implementation of the proposals will not constitute a disposal, or part disposal, of ordinary shares for the purposes of United Kingdom taxation of capital gains and will not affect the base cost available as an allowable deduction on any future disposal of ordinary shares. The tax treatment of dividends paid on the ordinary shares will not be affected by the implementation of the proposals.

Preferred shareholders

Implementation of the proposals will not constitute a disposal, or part disposal, of preferred shares for the purposes of United Kingdom taxation of capital gains, provided that the warrants are dealt in on the London Stock Exchange within three months of the reorganisation (or such longer period as the Board of Inland Revenue may by notice allow) and provided that in respect of any particular holder, if the warrants remain listed on the London Stock Exchange (or some other stock exchange that is "recognised" for United Kingdom tax purposes) until any abandonment or other disposal by such holder. The following paragraphs are written on the basis that these conditions are satisfied.

The sale or other disposal of any preferred shares or warrants held as a result of implementation of the proposals may give rise to the realisation of a gain or loss for the purposes of United Kingdom taxation of capital gains. A holder of any share or warrant who is resident or ordinarily resident in the United Kingdom for United Kingdom tax

purposes and who so realises a gain in respect of any preferred share or warrant may, subject to the investor's circumstances, be liable to United Kingdom capital gains tax or corporation tax on that gain (but see "Personal Equity Plans" below).

For the purposes of United Kingdom taxation of capital gains on any future disposal of preferred shares or warrants held as a result of implementation of the proposals, a preferred shareholder's base cost in his existing holding of preferred shares will be apportioned between the enlarged holding of preferred shares and the warrants. That apportionment will be made by reference to the market value of the preferred shares and the market value of the warrants on the first day on which the prices of the new preferred shares and the warrants are published in the London Stock Exchange Daily Official List. Details of those market prices will be given in the Company's interim and annual reports for the period and the year ending on 30 November 1996 and 31 May 1997 respectively.

The exercise of the subscription rights conferred by the warrants will not constitute a disposal of the warrants (or of any other asset) and will thus not itself give rise to a charge to United Kingdom taxation on capital gains. The base cost attributable to the relevant warrants will be added to the amount paid on the exercise of the subscription rights conferred by those warrants in computing the base cost of the ordinary shares acquired as a result of that exercise (and will thus be taken into account in computing any gain or loss arising on a subsequent disposal of those ordinary shares).

A warrant holder who has unexercised subscriptions rights under any warrants at a time when the Company goes into liquidation may be entitled to receive a payment in cash from the Company during its winding-up. Such amount should be treated as a capital sum derived from an asset and constitute a disposal for capital gains purposes. Provided that at the date on which the capital sum is received the warrants remain listed on the London Stock Exchange (or on some other stock exchange that is "recognised" for United Kingdom taxation purposes), the base cost attributable to the relevant warrants will be deductible from the capital sum in computing the chargeable gain, if any, which may be liable to United Kingdom capital gains tax or corporation tax. If, however, prior to 23 May 2008, the warrant holder had given instructions that any trustee appointed by the Company should not exercise any of his unexercised rights, those rights not exercised on 23 May 2008 will be treated as abandoned. Provided that the warrants remain listed at the time of abandonment an allowable loss for capital gains tax purposes will arise and will be available to set against the capital sum derived from the warrants but no base cost or indexation allowance would be deductible.

A warrant holder who is resident or ordinarily resident in the United Kingdom for United Kingdom taxation purposes and who does not exercise his subscription rights under some or all of his warrants by the latest date for exercise of those rights (and whose subscription rights are not exercised on his behalf by any trustee appointed by the Company) will realise an allowable loss for the purposes of United Kingdom taxation of capital gains, provided certain conditions are met. These conditions are that the warrants remain listed at that date on the London Stock Exchange (or on some other stock exchange that is "recognised" for United Kingdom tax purposes) and that prior to that date the warrant holder has not become entitled to a payment in cash from the Company during any winding-up. The loss will be an amount equal to the base cost attributable to the relevant warrants (that base cost being computed as mentioned above if the warrants are acquired by means of the bonus issue of warrants).

The tax treatment of dividends paid on the preferred shares will not be affected by the implementation of the proposals.

Personal equity plans

Under current legislation, the new preferred shares in issue after implementation of the proposals will constitute qualifying investments for the purposes of inclusion in a general PEP under The Personal Equity Plan Regulations 1989 (as amended). The warrants will not,

however, constitute qualifying investments for these purposes. The Directors intend that more than 50 per cent. by value of the investments held by the Company will continue to be United Kingdom equities or qualifying European Union shares and to conduct the affairs of the Company so as to be a fully-qualifying investment trust for PEP purposes.

If a holding of existing preferred shares is held in a general PEP, all of the new preferred shares held following implementation of the proposals may be held in that PEP. However, the warrants issued on implementation will need as soon as possible to be distributed *in specie* to investors in the general PEP or sold by the plan manager.

Returns from shares held within a PEP are free of income tax and capital gains tax. Subject to the terms of the particular PEP, all tax credits on dividends from shares within a PEP may be reclaimed and may be reinvested or distributed. No capital gains tax applies to gains realised on investments held in a PEP (although any losses resulting from investments within a PEP are not allowable for capital gains tax purposes).

Miscellaneous

Clearance from the Inland Revenue under Section 707 of the Income and Corporation Taxes Act 1988 has been applied for in respect of the proposals.

PART III

TERMS AND CONDITIONS OF THE WARRANTS

The warrants will be constituted by, and will be issued subject to and with the benefit of, a deed poll of the Company to be dated on or about 18 October 1996 ("the Warrant Instrument"). Warrantholders will be bound by, and deemed to have notice of, all the matters set out in the Warrant Instrument. The terms and conditions attaching to the warrants will be as follows:

1. Subscription Rights

(a) A registered holder for the time being of a warrant shall have the right to subscribe ("Subscription Rights") in cash on 23 May 2008 ("the Final Subscription Date"), or otherwise pursuant to paragraph 3(d) or (e) below, for all or any of the number of ordinary shares in respect of which he is entitled to subscribe under such warrant at a price per ordinary share determined as set out in Part II hereof being approximately equal to the net asset value of an ordinary share (excluding all the revenue reserve) as determined by the Manager as at the close of business on the calculation date ("the Subscription Price"). The Subscription Price shall be payable in full on subscription. The number and/or nominal value of ordinary shares to which the Subscription Rights for each warrant relate is initially one ordinary share of 50p but the number and nominal value and the Subscription Price will be subject to adjustment as provided in paragraph 2 below. The warrants registered in a warrantholder's name may be held in certificated form (in which event they will be evidenced by a warrant certificate issued by the Company ("Warrant Certificate")) or in uncertificated form.

(b) (i) The Subscription Rights which are conferred by any warrants which are in certificated form on a relevant subscription date shall be exercisable in whole or in part by the warrantholder lodging the Warrant Certificate, having completed the notice of subscription on the reverse thereof (a "Certificated Subscription Notice"), at the office of the registrar for the time being of the Company during the Subscription Period (but, in the case of an exercise on the Final Subscription Date, by no later than 3.30 pm on the Final Subscription Date), accompanied by a remittance for the aggregate Subscription Price for the ordinary shares in respect of which the Subscription Rights are being exercised.

(ii) The Subscription Rights which are conferred by any warrants which are in uncertificated form on a relevant subscription date shall be exercisable (and treated by the Company as exercised) in whole or in part if, at any time during the Subscription Period, (aa) an Uncertificated Subscription Notice is received as referred to below; and (bb) a remittance for the aggregate Subscription Price for the ordinary shares in respect of which the Subscription Rights are being exercised is received by the Company or by such person as it may require for these purposes. For these purposes, an "Uncertificated Subscription Notice" shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by the directors (subject always to the facilities and requirements of the relevant system concerned). The directors may, in addition, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by such person as it may require for these purposes (subject always to the facilities and requirements of the relevant system concerned). Without prejudice to the generality of the foregoing, the effect of the properly authenticated dematerialised instruction and/or other instruction or notification referred to above may be such as to divest the holder of the warrants concerned of the power to transfer such warrants to another person.

(iii) Once lodged, a Subscription Notice shall be irrevocable save with the written consent of the directors. Compliance must also be made with any statutory requirements for the time being applicable.

(iv) References here to "relevant subscription date" shall mean the Final Subscription Date or, in the case of an exercise pursuant to paragraph 3(d) or 3(e) below, shall mean the date on which the Subscription Rights are exercised in accordance with the provisions of this paragraph 1(b).

(c) (i) Each Certificated Subscription Notice will contain, *inter alia*, a representation that, at the time of execution and submission of the Certificated Subscription Notice, the warrantholder is not a US person or a person within the United States (as those terms are defined in Regulation S under the US Securities Act of 1933, as amended ("the Securities Act")) and is not acquiring the ordinary shares resulting from the exercise of the warrant for the account or benefit of a US person or a person within the United States.

(ii) A warrantholder who is a holder of warrants in uncertificated form and who sends a valid Uncertificated Subscription Notice (or on whose behalf an Uncertificated Subscription Notice is sent) to the Company or to such person as the Company may require will be treated as representing that, at the time of sending the Uncertificated Subscription Notice, the warrantholder is not a US person or a person

within the United States (as those terms are defined in Regulation S under the Securities Act) and is not acquiring the ordinary shares resulting from the exercise of the warrant for the account or benefit of a US person or a person within the United States.

(iii) A Certificated Subscription Notice will only be effective if the representation referred to in paragraph 1(c)(i) above is given, and an Uncertificated Subscription Notice may not be treated as effective, unless the directors are satisfied that legal or beneficial ownership of the ordinary shares arising from such subscription will not require such ordinary shares to be registered under the Securities Act. A Subscription Notice will also not be treated as effective if the directors reasonably believe that it will otherwise expose the Company to adverse US tax or regulatory consequences or require the Company to register under the US Investment Company Act of 1940, as amended, or cause the assets of the Company to be deemed to be assets of an "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended, or of a "plan" within the meaning of Section 4975 of the US Internal Revenue Code.

(d) Not earlier than eight weeks nor later than four weeks before the Final Subscription Date, the Company shall give notice to the warrant holders reminding them of their Subscription Rights and the forthcoming expiry of such Subscription Rights and, in relation to any warrants that are in uncertificated form, stating the form of the Uncertificated Subscription Notice prescribed by the Directors.

(e) Unless the directors otherwise determine, or unless the Regulations and/or the rules of the relevant system concerned otherwise require, the ordinary shares issued pursuant to the exercise of Subscription Rights shall be issued in uncertificated form (where the warrants that conferred the Subscription Rights which were exercised were in uncertificated form on the relevant subscription date) or in certificated form (where the warrants that conferred the Subscription Rights which were exercised were in certificated form on the relevant subscription date).

(f) (i) Ordinary shares issued pursuant to the exercise of Subscription Rights will be allotted not later than 14 days after the relevant subscription date. Certificates in respect of such ordinary shares that are in certificated form will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person in whose name the warrants are registered at the date of such exercise (and, if more than one, to the first named on the register, which shall be sufficient despatch for all) or (subject as provided by law) to such other person(s) as may be named in the form of nomination available for that purpose from the registrar for the time being of the Company (and, if more than one, to one of them, which shall be sufficient despatch for all).

(ii) No fraction of an ordinary share will be issued on exercise of any warrant and no refund will be made to a warrant holder exercising his Subscription Rights in respect of that part of the relevant subscription monies which represents such a fraction (if any), provided that if more than one warrant is exercised at the same time by the same holder then, for the purposes of determining the number of ordinary shares issuable upon the exercise of such warrants and whether any (and, if so, what) fraction of an ordinary share arises, the number of ordinary shares issuable upon the exercise of each warrant shall first be aggregated. In the event of a partial exercise of the Subscription Rights evidenced by a Warrant Certificate, the Company shall issue a fresh Warrant Certificate in the name of the warrant holder for the balance of his Subscription Rights remaining exercisable.

(g) Ordinary shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, made or paid in respect of any financial year of the Company ended prior to the relevant subscription date or for any dividends or other distributions declared, made or paid by reference to a record date prior to the relevant subscription date provided that notice of the intended dividend or other distribution and the record date shall have been given to the London Stock Exchange prior to the relevant subscription date, but subject thereto will rank in full for all dividends and, save insofar as an adjustment therefor shall have already been made in accordance with paragraph 2 below, other distributions thereafter declared, made or paid and otherwise *pari passu* in all respects with the ordinary shares in issue at that date.

(h) For as long as the Company's ordinary share capital is listed on the London Stock Exchange, it is the intention of the Company to apply to the London Stock Exchange for the ordinary shares allotted pursuant to any exercise of Subscription Rights to be admitted to the Official List, and to use all reasonable endeavours to obtain the admission thereof not later than 14 days after the relevant subscription date.

(i) If, at any time prior to the Final Subscription Date, Subscription Rights shall have been exercised or cancelled in respect of warrants of which the sum of the costs of exercise (measured as at the dates of exercise or cancellation) exceeds 75 per cent. of the sum of the costs of exercise (measured as at the dates of issue) of all warrants which have been issued, other than those issued as a result of adjustments pursuant to paragraph 2 below, the Company shall be entitled at any time thereafter, on giving to the remaining warrant holders not less than 28 days' notice, to appoint a trustee with effect from the date stated in such notice who, provided that in his opinion the net proceeds of sale after deduction of all costs

and expenses incurred by him will exceed the cost of subscription, shall within 14 days following the date on which his appointment takes effect, either exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised (subject to any subsequent adjustment made pursuant to paragraph 2) on behalf of the warrant holder and sell in the market the new ordinary shares acquired on such subscription or (if it appears to the trustee that doing so is likely to realise greater net proceeds for warrant holders) accept any offer available to warrant holders for the purchase of the warrants. The trustee shall distribute *pro rata* the proceeds less the cost of subscription (if appropriate) and such other costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable after such sale, provided that entitlements of less than £3.00 shall be retained for the benefit of the Company.

(j) Within 14 days following the Final Subscription Date, the Company shall appoint a trustee who, provided that in his opinion the proceeds of such sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall, within 14 days following his appointment, either exercise the Subscription Rights which shall have not been exercised (excluding the Subscription Rights relating to elected warrants (as defined in paragraph 1(k) below)) on the terms on which the same could have been exercised on the Final Subscription Date (subject to any subsequent adjustment made pursuant to paragraph 2 after the Final Subscription Date) and sell the ordinary shares acquired on such subscription or (if it appears to the trustee that doing so is likely to realise greater net proceeds for warrant holders) accept any offer available to warrant holders for the purchase of the warrants. The trustee shall distribute *pro rata* the proceeds less the cost of subscription (if appropriate) and such other costs and expenses to the persons entitled thereto at their risk provided that entitlements of less than £3.00 shall be retained for the benefit of the Company. However, in the event that an order is made or an effective resolution is passed for winding up the Company (except for the purposes of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the warrant holders) on or before 31 May 2008, the aforementioned obligation of the Company to appoint a trustee to act in the manner provided above shall cease to apply.

(k) At any time during the period of 7 days prior to the Final Subscription Date, a warrant holder shall be entitled, by notice in writing to the Company, to irrevocably elect that all or any of the warrants registered in his name and which are not exercised by the Final Subscription Date (the "elected warrants") shall not be subject to the provisions of paragraph 1(j) above.

(l) Any Subscription Rights which have not been exercised shall automatically lapse 28 days after the Final Subscription Date unless an extraordinary general meeting of the Company has been convened on 31 May 2008 (or if that day is not a business day, on the preceding business day) to voluntarily wind up the Company and such extraordinary general meeting has been adjourned, in which case the outstanding Subscription Rights will lapse on the date on which the adjourned meeting is held, subject to the rights of warrant holders under paragraph 3(f) below.

2. Adjustment of Subscription Rights

(a) Forthwith upon:

- (i) any allotment of fully paid ordinary shares by way of capitalisation of reserves to the holders of ordinary shares ("Shareholders") on the register on a date (or by reference to a record date) on or before 28 days after the Final Subscription Date; or
- (ii) any subdivision or consolidation of the ordinary shares on a date (or by reference to a record date) on or before 28 days after the Final Subscription Date;

the number and/or nominal value of ordinary shares to be subscribed on any subsequent exercise of the Subscription Rights will be increased or, as the case may be, reduced in due proportion (fractions being ignored) and the Subscription Price will be adjusted accordingly, so as to maintain the same cost of exercising the Subscription Rights of each warrant holder, with effect from the record date of such capitalisation, subdivision or consolidation. The auditors for the time being of the Company ("the Auditors") shall report in writing upon the appropriate adjustments and, within 28 days thereafter, notice of such adjustments will be sent to each warrant holder and, if the Company considers it necessary or desirable, despatch new Warrant Certificates to warrant holders who hold warrants in certificated form in respect of the additional number of ordinary shares for which each such warrant holder is entitled to subscribe in consequence of such adjustments.

(b) If on a date (or by reference to a record date) on or before 28 days after the Final Subscription Date, the Company makes any offer or invitation (whether by rights issue or otherwise but not being an offer to which paragraph 3(d) below applies or an offer made in connection with scrip dividend arrangements) to the Shareholders, or any offer or invitation (not being an offer to which paragraph 3(d) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able and permitted so to do without registration under the Securities Act and any other applicable foreign legal or regulatory requirements, procure that at the same time the same offer or invitation is made to the then

warrantholders as if their Subscription Rights had been exercisable and had been exercised on the date immediately preceding the record date of such offer or invitation, provided that, if the directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then warrantholders but the Subscription Price shall be adjusted (i) in the case of an offer of ordinary shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of ordinary shares in issue on the date of such announcement plus the number of ordinary shares which the aggregate of the amount payable for the total number of ordinary shares comprised in such rights issue on the date of such announcement would purchase at such market price and the denominator is the number of ordinary shares in issue at the date of such announcement plus the aggregate number of ordinary shares offered for subscription and by dividing the number of ordinary shares to be subscribed on any future exercise of the Subscription Rights by the same fraction, and (ii) in any other case, in such manner as the Auditors shall certify in writing to be appropriate. Any such adjustment shall become effective as at the record date for the offer or invitation. For the purposes of this paragraph 2(b), "market price" shall mean the average of the middle market quotations as derived from the Daily Official List of the London Stock Exchange for one ordinary share for the five consecutive London Stock Exchange dealing days ending on the London Stock Exchange dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the ordinary shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the ordinary shares in issue on those days. The Company shall give notice to each warrant holder within 28 days of any adjustment made pursuant to this paragraph 2(b) and, if the Company considers it necessary or desirable, despatch new Warrant Certificates to warrant holders who hold warrants in certificated form in the manner described in paragraph 2(a) above.

(c) If at any time an offer is made to all Shareholders (or all Shareholders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware that, as a result of such offer, the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Subscription Price payable on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(e) but not otherwise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B + C) - D$$

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would be applicable (subject to any adjustments pursuant to this paragraph 2) if the Subscription Rights were exercisable on the date on which the Company shall have become aware as provided above;

C = the average of the middle market quotations as derived from the Daily Official List of the London Stock Exchange for one warrant for the ten consecutive London Stock Exchange dealing days ending on the London Stock Exchange dealing day immediately preceding the date of the announcement of the offer referred to above (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of any announcement of the intention to make such offer; and

D = the value (as determined by the Auditors) of the consideration per ordinary share offered to Shareholders of the Company by the offeror pursuant to the offer referred to above on the date on which the Company shall have become aware as provided above,

provided that:

- (i) the Auditors shall be entitled to make such further adjustments to the Subscription Price payable on any subsequent exercise of the Subscription Rights in accordance with paragraph 3(e) below as they shall report to be appropriate to take account of the market value of the warrants (which shall be deemed to be equal to the value provided by calculating "C" in the above formula), having regard, *inter alia*, to the time value of money;
- (ii) the Subscription Price shall not be adjusted so as to cause the Company to be obliged to issue ordinary shares at a discount to their nominal value and, if the application of the above formula would, in the absence of this sub-paragraph (ii), have reduced the Subscription Price to below the then par value of an ordinary share, the number of ordinary shares to be subscribed on any subsequent exercise of the Subscription Rights in accordance with

paragraph 3(e) below but not otherwise shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the warrant holders as if the Subscription Price had been adjusted without regard to this sub-paragraph (ii); and

- (iii) no adjustment shall be made if "A" is a negative figure.

Any such adjustment shall become effective on the date on which the Company becomes aware that, as a result of such offer, the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid. The Company shall give notice to each warrant holder within seven days of any adjustment made pursuant to this paragraph. Publication of a scheme of arrangement under the Act providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 2(c).

(d) If an order is made or an effective resolution is passed for winding-up the Company (except for the purposes of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the warrant holders and other than an order made or effective resolution passed in connection with the voluntary winding-up of the Company required by the Company's Articles of Association), the Subscription Price which would have been payable by a warrant holder if he had exercised his Subscription Rights as provided in paragraph 3(f) below shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B + C) - D$$

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would be applicable (subject to any adjustments pursuant to this paragraph 2) if the Subscription Rights were exercisable immediately on the date on which the order referred to above shall be made or on which the effective resolution referred to above shall be passed (as the case may be);

C = the average of the middle market quotations as derived from the Daily Official List of the London Stock Exchange for one warrant for the ten consecutive London Stock Exchange dealing days ending on the London Stock Exchange dealing day immediately preceding the date of the presentation of the petition for such order or the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of any announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed, or, if there shall be more than one such announcement, the first thereof; and

D = the amount per share, as determined by the Auditors, which each holder of ordinary shares would be entitled to receive on such winding-up, on the assumption that all unexercised Subscription Rights attaching to warrants had been exercised in full and the subscription monies in respect thereof had been received in full by the Company.

(e) Any adjustments to the number of ordinary shares to be subscribed on the exercise of warrants may be effected, at the option of the Company, either by adjusting the number of ordinary shares in respect of which a warrant may be exercised (which adjustment may be in respect of a fraction of an ordinary share) or by issuing further warrants or in such other manner as the Company may consider appropriate.

3. Other Provisions

So long as any Subscription Rights remain exercisable:

(a) The Company shall not (except with the sanction of an extraordinary resolution of the warrant holders or other than pursuant to the proposals):

(i) in any way modify the rights attached to its existing ordinary shares as a class (but nothing herein shall restrict the right of the Company to increase or to consolidate or subdivide its share capital) or create or issue any new class of equity share capital (as defined in Section 744 of the Act) which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the ordinary shares;

(ii) reduce its share capital or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by Sections 130 to 134 inclusive or Section 170 of the Act) any share premium account or capital redemption reserve;

(b) In relation to the warrants which are, for the time being, a participating security, and for so long as they remain a participating security, no provision of these terms and conditions, the Warrant Instrument or any other instrument shall (notwithstanding anything contained in these terms and conditions, the Warrant Instrument or any other instrument) apply or have effect to the extent that it is in any respect inconsistent with:

- (i) the holding of title to warrants in uncertificated form;
- (ii) the transfer of title to warrants by means of a relevant system; or
- (iii) the Regulations.

(c) Without prejudice to the generality of paragraph 7(b) above and notwithstanding anything contained in these terms and conditions, the Warrant Instrument or any other instrument, where the warrants are, for the time being, a participating security:

- (i) the register of warrantholders relating to the warrants shall be maintained at all times in the United Kingdom;
- (ii) warrants may be issued in uncertificated form in accordance with and subject as provided in the Regulations;
- (iii) warrants may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Regulations;
- (iv) where title to a warrant is evidenced otherwise than by a certificate by virtue of the Regulations, the transfer of title to such a warrant shall be effected by means of a relevant system in the manner provided for, and subject as provided, in the Regulations and, accordingly (and in particular) paragraph 6 above shall not apply in respect of such a warrant to the extent that paragraph requires or contemplates the effecting of a transfer by an instrument in writing and the production of a certificate for the warrant to be transferred;
- (v) the Company shall comply with the provisions of Regulations 21 and 22 of the Regulations in relation to the warrants;
- (vi) the provisions of paragraph 4 above with respect to meetings of holders of warrants shall have effect subject to the provisions of Regulation 34 of the Regulations;
- (vii) paragraph 6 of these terms and conditions shall not apply so as to require the Company to issue a certificate for warrants to any person holding such warrants in uncertificated form;
- (viii) notwithstanding sub-paragraph (vii) above, and for the avoidance of doubt, the terms and conditions applicable to the warrants shall remain so applicable notwithstanding that they are not endorsed on any certificate for any warrant which is in uncertificated form;
- (ix) the Company shall provide to any holder of warrants in uncertificated form a copy of the terms and conditions on request by him (but so that joint holders of such warrants shall be entitled to receive one copy only of the terms and conditions in respect of the warrants held jointly by them, which copy shall be delivered to that one of the joint holders whose name stands first in the register of warrantholders in respect of that holding);
- (x) notwithstanding paragraphs 1(i), 1(j) and 3(f) above and paragraph 8 below or any other provision of these terms and conditions, the Warrant Instrument or any other instrument relating to payment in respect of warrants, in respect of any warrant in uncertificated form, where the Company is authorised to do so by or on behalf of the holder or all joint holders of such warrant in such manner as the Company shall from time to time consider sufficient, the Company may pay or procure the payment of any moneys payable by the Company to such holder or joint holders pursuant to these terms and conditions, the Warrant Instrument or any other instrument in respect of such warrant by means of the relevant system concerned (subject always to the facilities and requirements of that relevant system). Such payment may include the sending by the Company or by any person on its behalf of an instruction to the Operator of the relevant system concerned to credit the account of the holder or joint holders concerned or of such person as the holder or all joint holders may in writing direct, in either case being an account designated by the Operator of such relevant system as the cash memorandum account of the holder or joint holders or, as the case may be, of such person. The making of such payment in accordance with the facilities and requirements of the relevant system concerned shall constitute a good discharge to the Company therefor; and
- (xi) for the avoidance of doubt, any warrant may be held in uncertificated form by not more than four joint holders.

8. Purchase of warrants

The Company may, from time to time, purchase any warrants at any price by tender (available to all warrantholders alike), private treaty or otherwise at a price not more than 10 per cent. in excess of the middle market quotation for the warrants (as derived from the London Stock Exchange Daily Official List) on the previous dealing day. The Company may accept the surrender of a warrant at any time. Any warrants so purchased or surrendered shall forthwith be cancelled by the Company, which will not be at liberty to reissue the same.

9. General

(a) The Company will, concurrently with the issue of the same to the Shareholders, send to each warrantholder (or, in the case of joint warrantholders, to the first named) a copy of each published annual report and accounts of the Company and copies of all other documents issued by the Company to the Shareholders.

(b) For the purposes of these terms and conditions:

- (i) "business day" means a day on which banks in London are open for business;
 - (ii) "extraordinary resolution of the warrantholders" means a resolution proposed at a separate meeting of the warrantholders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll;
 - (iii) "Regulations" means the Uncertificated Securities Regulations 1995 (SI 1995 No 3272) including any modifications thereof or any regulations in substitution therefor made under Section 207 of the Companies Act 1989 and for the time being in force;
 - (iv) "Subscription Notice" means, in relation to any warrants that are in certificated form on a relevant subscription date, a Certificated Subscription Notice (as defined in paragraph 1(b)(i) above) or, in relation to any warrants that are in uncertificated form on a relevant subscription date, an Uncertificated Subscription Notice (as defined in paragraph 1(b)(ii) above); and
 - (v) "Subscription Period" means the period of 28 days ending on the Final Subscription Date or such other period which may result from the application of paragraph 3(d) or 3(e) above.
- (c) Whether any warrants are in certificated form or uncertificated form on a relevant subscription date shall be determined by reference to the register as at the close of business on such relevant subscription date or at such other time as the Company may (subject to the facilities and requirements of the relevant system concerned) in its absolute discretion determine.
- (d) Words and expressions used in the Regulations have the same meanings when used herein.
- (e) References in these terms and conditions to any warrant being in uncertificated form or in certificated form are references, respectively, to such warrant being an uncertificated unit of a security or a certificated unit of a security.
- (f) For the purposes of these terms and conditions a dematerialised instruction is properly authenticated if it complies with the specifications referred to in paragraph 5(b) of Schedule 1 to the Regulations.
- (g) Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators, and any such determination or adjustment made by them shall be final and binding on the Company and each of the warrantholders.

PART IV

SUMMARY OF THE PRINCIPAL DIFFERENCES BETWEEN THE ARTICLES AND THE NEW ARTICLES

The following is a summary of certain provisions of the existing Articles of Association of the Company, together with details (in italics) of the changes made in the new Articles proposed to be adopted at the Extraordinary General Meeting convened for 11 October 1996. A copy of the proposed new Articles is available for inspection as specified in paragraph 17 of Part V of this document and for the period of 15 minutes prior to and during the Extraordinary General Meeting.

(a) Dividends

- (i) The holders of the preferred shares are entitled in priority to any payment of dividend on any other class of shares to a fixed cumulative preferential dividend at the rate of 13.3 per cent. per annum to be paid, if and so far as in the opinion of the directors the profits of the Company available for distribution justify such payments, half-yearly on 31 May and 30 November in every year in respect of the half-years ending on those dates.

Subject to the same discretion of the directors, the new Articles entitle each preferred share to a fixed dividend at an annual percentage rate calculated on the following basis:

$$\frac{13.3 \times 100}{\text{NAV}}$$

and rounded to two decimal places, where NAV is the net asset value of an existing preferred share (in pence), and rounded to two decimal places, as at the close of business on the calculation date and as determined by the Manager on the basis set out on page 12 of this document.

The new Articles also provide that, in the event of a winding-up only, this dividend is to accrue from day to day.

- (ii) Subject to the special rights of the holders of the preferred shares, the profits of the Company available for distribution and resolved to be distributed shall, subject to the provisions of the Act and any other statute for the time being in force concerning and affecting the Company ("the Statutes"), be distributed by way of dividend amongst the holders of the ordinary shares.

The new Articles also require the directors (subject to the Statutes) and the fiduciary duties of the directors to distribute the balance of the Company's revenue reserve by way of dividend to the ordinary shareholders on or prior to 22 May 2008.

- (iii) Subject to the Statutes, the Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the directors. Subject to the Statutes, the directors may from time to time pay interim dividends on shares of any class in such amounts and on such dates and in respect of such periods as they think fit.
- (iv) Unless and to the extent that the rights attaching to any shares, or the terms of issue thereof, otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid or credited as paid up (other than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (v) No dividend shall be paid otherwise than out of profit available for distribution under the provisions of the Statutes. Any surplus over the book value derived from the sale or realisation of any capital asset and any other sums representing capital profits within the meaning of Section 265 of the Act or other accretions to capital assets, including in particular any sums resulting from writing up of the book values of any capital assets, shall not be available for dividends or any other distribution within the meaning ascribed thereto by Section 263(2) of the Act.
- (vi) Subject to the Statutes, the Company may upon the recommendation of the directors by ordinary resolution and subject to prior separate consents or sanctions of the preferred shareholders and the ordinary shareholders direct payment of a dividend in whole or in part by the distribution of specific assets (and in particular of paid-up shares or debentures of any other company or of units in a unit trust) and the directors shall give effect to such resolution.

This provision has been deleted in the new Articles.

- (vii) Any dividend unclaimed after a period of 12 years from its date of declaration shall be forfeited and shall revert to the Company.

- (viii) *The new Articles put in place arrangements enabling dividends to be paid through CREST, the new computerised system for settling sales and purchases of shares.*

(b) Voting

Subject to any special rights or restrictions as to voting attached by or in accordance with the Articles to any class of shares, on a show of hands, every member who is present in person shall have one vote and, on a poll, every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

The preferred shares shall not entitle the holders to vote upon any resolution (other than a resolution for winding-up the Company or reducing its share capital or a resolution varying or abrogating any of the special rights attached to such shares) unless at the date of the notice convening the meeting at which such resolution is to be proposed, the dividend on such shares is six months in arrears (and for this purpose, the dividend shall be deemed to be payable half-yearly on 31 May and 30 November in every year in respect of the half-years ending on those dates). The preferred shares shall also not entitle the holders to attend at any general meeting unless the business of the meeting includes the consideration of a resolution upon which such holders are entitled to vote. The holders of the preferred shares are entitled to receive notices of general meetings.

Since there will be more preferred shares than ordinary shares in issue if the proposals are implemented, the new Articles adjust the votes per ordinary share at general meetings where preferred shareholders are entitled to vote, in order to retain the existing equality of votes between preferred shareholders and ordinary shareholders at such meetings.

No member shall, unless the directors otherwise determine, be entitled in respect of any share held by him to vote either personally or by proxy at a general meeting or a meeting of the holders of any class of shares of the Company if any call or other sum presently payable by him to the Company in respect of that share remains unpaid or if that member or any other person appearing to be interested in shares held by that member has been duly served with a notice under Section 212 of the Act and is in default for the prescribed period in supplying to the Company the information thereby required.

(c) Variation of rights

The limit upon borrowing powers contained in the Articles shall not be enlarged and the provisions of the Article relating to the borrowing powers shall not be varied (except as to include as borrowed money sums which would not otherwise be included) and no reduction of the share capital or share premium account or any capital reserve fund of the Company, which involves a return of capital in whole or in part of any shares or would require the consent of the court, shall be effected and no shares shall be purchased by the Company, in any case except with such consents or sanctions on the part of the holders of the preferred shares and the ordinary shares as separate classes as are required for a variation of the special rights attached to either class of such shares.

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes, be varied or abrogated, either with the consent in writing of the holders of three-quarters in nominal value of the issued shares of the class in question or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of such class (but not otherwise). The quorum at any such general meeting is two persons holding or representing by proxy at least one third in nominal value of the issued shares of the class in question but so that, at any adjourned meeting, any holder of shares of the class present in person or by proxy shall be a quorum. Any holder of shares of the class present in person or by proxy may demand a poll and every such holder shall, on a poll, be entitled to one vote for every share of the relevant class held by him. The creation or the issue of further shares shall be deemed to be a variation of the special rights attached to the ordinary shares and the preferred shares respectively as separate classes.

The deemed variation of the rights attached to the ordinary shares and the preferred shares by the creation or the issue of further shares has been removed from the new Articles.

(d) Share capital and changes in capital

Subject to the provisions of the Statutes and any special rights previously conferred on the holders of any existing shares, the Company may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

The Company may by ordinary resolution consolidate and divide all or any of its share capital into shares of larger amount than its existing shares, cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of its capital by the amount of the shares so cancelled and sub-divide its shares or any of them into shares of smaller amount.

The Company may reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner, subject to any consent required by law.

Subject to the Statutes and the provisions of the Articles, the Company may purchase any of its own shares (including any redeemable shares).

The new Articles give the Company power, subject to the Statutes and the terms of the Warrant Instrument, to purchase any of the warrants.

(e) Transfer of shares

All transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee.

The directors may decline to recognise any instrument of transfer unless the instrument of transfer is in respect of only one class of share and is lodged at the Company's transfer office accompanied by the relevant share certificate(s) and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so).

The directors may refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly. The directors may, in their absolute discretion and without assigning any reason therefore, refuse to register any transfer of shares (not being fully paid shares).

The new Articles qualify this discretion, by requiring that it should not be exercised in such a way as to prevent dealings in the relevant shares taking place on an open and proper basis where the shares are listed on the London Stock Exchange.

The registration of transfers may be suspended at such times and for such periods as the directors may from time to time determine and either generally or in respect of any class of shares. The Register of Members shall not be closed for more than 30 days in any year.

(f) Reserves

Subject to the provisions of the Articles, the directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested.

The directors shall establish a reserve to be called the "capital reserve" and shall either carry to the credit of such reserve from time to time all capital profits or appreciations arising on the sale, transposition, payment or revaluation of any investment or other capital assets of the Company in excess of the book value thereof or apply the same in providing for depreciation or contingencies. All losses realised on the sale, revaluation or payment off of any investments or other capital assets and any expenses and other sums incurred in connection with the management of the Company and its assets which, in the opinion of the directors, are reasonably and fairly apportioned to capital, may be carried to the debit of the capital reserve except insofar as the directors may in their discretion decide to make good the same out of other funds of the Company. No part of the capital reserve or any other monies in the nature of accretion to capital shall, in any event, be transferred to revenue account to be regarded or treated as profits of the Company available for dividend or be applied in paying dividends on any shares in the Company's capital.

(g) Capitalisation of reserves

The directors may, with the sanction of an ordinary resolution of the Company and the separate consents and sanctions of the preferred shareholders and the ordinary shareholders, capitalise any sums standing to the credit of any of the Company's reserve accounts (including any share premium account, capital redemption reserve or other undistributable reserve) or any sums standing to the credit of profit and loss account by appropriating such sum to the holders of ordinary shares on the register at the close of business on the date of the resolution (or such other date as may be specified therein or determined as therein provided) in proportion of their then holding of ordinary shares and applying such sum on their behalf in paying up in full unissued ordinary shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

The new Articles no longer require the separate consent of the preferred shareholders to be obtained.

(h) Duration and winding-up

Except with the prior separate consents or sanctions of the holders of the ordinary shares and of the preferred shares obtained on or before 31 December 2007 relieving the directors from such obligations, the directors shall (at such time as they shall think fit) convene a general meeting of the Company to be held on or after 1 January 2008 and before 31 December 2010 at which a special resolution will be proposed requiring the Company to be wound up voluntarily. Every member present in person or by proxy and entitled to vote is required to vote in favour of such resolution.

The new Articles maintain the obligation to convene the general meeting at which the resolution for the voluntary winding-up of the Company is to be proposed, but the relevant meeting is to be held on 31 May 2008 (or, if that is not a business day, on the preceding business day) unless the prior consent of warrant holders (if required by the Warrant Instrument) as well as the preferred shareholders and the ordinary shareholders is obtained on or before 20 May 2008.

The new Articles release the Board from its obligation to obtain the consent of the preferred shareholders not to convene an extraordinary general meeting on 31 May 2008 (as referred to above) to propose the voluntary winding-up of the Company, in circumstances where an offer has been made for the preferred shares which is recommended by the directors, which becomes or is declared unconditional in all respects between 20 February 2008 and 20 May 2008 and which entitles the preferred shareholders to a cash sum not later than 10 June 2008 which (in the directors' estimation) is not less than what would have been paid to the preferred shareholders if the Company had been wound up on the date that the offer becomes unconditional in all respects (a "Relevant Offer").

If a class consent is required from the preferred shareholders to allow a Relevant Offer to be made or implemented or, where a Relevant Offer has been made, such consent is required to release the Board from its obligations voluntarily to wind-up the Company, the new Articles give weighted voting rights to those voting in favour of the relevant resolution in order to guarantee that the relevant consents are obtained.

On a return of assets on a winding-up, the assets of the Company available for distribution among the members shall (subject to any provision made under Section 719 of the Act) be applied first in repaying to the holders of the preferred shares the nominal amount paid up on such shares together with a sum equal to any arrears or deficiency of the fixed dividend thereon, to be calculated down to the date of the return of capital and to be payable irrespective of whether or not such dividends have been declared or earned, secondly in paying to the holders of the ordinary shares any amount standing to the credit of the revenue reserve and the sum of £1 per share and thirdly in distributing the balance of such assets among the holders of the preferred shares and of the ordinary shares rateably accordingly to the number of such shares held by them respectively but so that each ordinary share shall entitle the holder to nine times the distribution out of such balance to which the holder of a preferred share shall be entitled.

The new Articles remove the entitlement of the ordinary shareholders to the amounts standing to the credit of the revenue reserve and to the sum of £1 per ordinary share and instead provide that the balance of the relevant assets, after the preferred shareholders have received the nominal amounts paid up on their shares together with any arrears on or deficiency in the fixed dividends paid to them, is to be divided amongst the ordinary shareholders only.

If the Company shall be wound up, the liquidator may, with the authority of an extraordinary resolution, divide among the members in specie or kind the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit.

(i) Directors

The existing Articles entitle a director to vote on any proposal relating to the adoption of an Inland Revenue approved superannuation fund, retirement benefits scheme or employees' share scheme under which he may benefit.

The new Articles change the position by instead permitting a director to vote on any arrangement for the benefit of the Company's or any subsidiary's employees which does not award the relevant director a special privilege or benefit not generally awarded to the employees to whom the relevant arrangement relates.

The new Articles improve the controls generally on directors voting on matters in which they have a material interest by dealing more specifically with the persons through whom directors are deemed to have a material interest, the effect of general notices to the Board and the fact that a director is not deemed to have knowledge of an interest of which he is not reasonably aware.

The new Articles allow the Board to remove any director absent, without the permission of the Board, from Board meetings for six consecutive months.

(j) Corporate Representatives

The existing Articles permit members which are corporations to appoint corporate representatives to attend and vote at general meetings on their behalf.

The new Articles retain this right, but also entitle corporate members which hold shares on behalf of participants in a savings or other scheme managed by any member of the Robert Fleming Group or any administrator appointed by a member of the Robert Fleming Group, to appoint any number of participants as its corporate representatives, each exercising the rights in respect of his particular beneficial holding of shares.

(k) CREST

In July 1996, CREST, a paperless settlement system enabling securities to be evidenced otherwise than by certificate and to be transferred otherwise than by way of a written instrument, was introduced in the UK. On 10 July 1996 the Company resolved by resolutions of the Directors to make the ordinary shares and the preferred shares, issued and to be issued, eligible for holding and settlement in CREST. Notice of the passing of these resolutions has been given to the Company's shareholders as required by The Uncertificated Securities Regulations 1995. The effect of these resolutions is to disapply, in relation to such ordinary shares and preferred shares as are held in uncertificated form, those provisions of the Articles that are inconsistent with the holding and transfer of such shares in CREST or with any provision of the said Regulations.

PART V

GENERAL INFORMATION

1. Investment Policies

The investment policies of the Company are to invest in a broadly-based portfolio of quoted UK securities, to have a portfolio yielding more than the UK market and to remain fully eligible for Personal Equity Plans.

2. Directors

The directors of the Company, all of whom are non-executive, are as follows:

John Dudley Webster (*Chairman*)
Sir Hugh Charles Philip Bidwell, G.B.E.
Brian George Hill
Christopher Richard Tracey
Julian George Tregoning

The business address of all the Directors is 25 Copthall Avenue, London EC2R 7DR.

3. Responsibility statement

The Directors, whose names appear in paragraph 2 above, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

4. The Company

- (a) The Company was incorporated in England and Wales with limited liability as a public limited company on 3 April 1984 under the Companies Acts 1948 to 1983 with the name Save & Prosper Return of Assets Investment Trust PLC and registered number 1805708. The Company's name was changed to The Fleming Geared Income & Assets Investment Trust plc on 1 June 1993. The Company operates under the Act and the regulations made thereunder.
- (b) The Company's registered office and principal place of business is at 25 Copthall Avenue, London EC2R 7DR. Fleming Investment Trust Management Limited is the Company's manager and secretary.
- (c) Ernst & Young, Chartered Accountants and Registered Auditors, of Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH have been the auditors of the Company for the three years ended 31 May 1996. Their reports on these accounts were unqualified and have been lodged with the Registrar of Companies.
- (d) The registrar of the Company is Lloyds Bank Registrars of The Causeway, Worthing, West Sussex BN99 6DA.
- (e) The Company is an investment company within the meaning of Section 266 of the Act and it is the intention of the Directors to conduct the affairs of the Company so that it continues to satisfy the requirements for qualification as an investment company under that section.
- (f) The Company has been recognised as an approved investment trust by the Inland Revenue under Section 842 of the Income and Corporation Taxes Act 1988 for all relevant periods up to 31 May 1995. In the opinion of the Directors, the Company's affairs have been conducted since that date in such a manner as to enable such recognition to be continued. The Company's income is derived wholly or mainly from shares and other securities.
- (g) The Company is not a close company and is not expected to become a close company immediately following implementation of the proposals.

5. Share Capital

- (a) The following table shows the authorised and issued ordinary and preferred share capital of the Company as at 15 September 1996 and as it will be immediately following implementation of the proposals, assuming that the unaudited net asset value of an existing preferred share on the calculation date is 121.1p:

	<i>Present</i>		<i>Immediately following implementation of proposals</i>	
	<i>Authorised</i>	<i>Issued</i>	<i>Authorised</i>	<i>Issued</i>
	£	£	£	£
Ordinary Shares	9,000,000	8,496,549.50	10,000,000	8,496,549.50
Preferred Shares	18,000,000	16,993,099.00	25,000,000	20,583,621.00
Total	27,000,000	25,489,648.50	35,000,000	29,080,170.50

- (b) The changes made during the three years preceding the date of this document to the issued ordinary share capital and the issued preferred share capital of the Company were as follows:

<i>Preferred shares</i>	<i>No. of shares</i>	<i>£</i>
In issue at 15 September 1993	15,426,549	15,426,549.00
Exercise of previous series of warrants on 1 June 1994	49,433	49,433.00
Exercise of previous series of warrants on 1 June 1995	1,517,117	1,517,117.00
In issue at 15 September 1996	16,993,099	16,993,099.00

<i>Ordinary shares</i>		
In issue at 15 September 1993	15,426,549	7,713,274.50
Exercise of previous series of warrants on 1 June 1994	49,433	24,716.50
Exercise of previous series of warrants on 1 June 1995	1,517,117	758,558.50
In issue at 15 September 1996	16,993,099	8,496,549.50

Total issued share capital at 15 September 1993	£23,139,823.50
Total issued share capital at 15 September 1996	£25,489,648.50

In addition, 1,006,901 warrants of the previous series were purchased by the Company in May and June 1995 and cancelled.

- (c) At the extraordinary general meeting of the Company convened for 11 October 1996, a resolution will be proposed (subject to and conditionally upon the holders of ordinary shares and existing preferred shares sanctioning at separate class meetings such variation or abrogation of the special rights or privileges attaching to the ordinary shares and the existing preferred shares as is or may be effected by or involved in such resolution and the warrants and new preferred shares being admitted to the Official List of the London Stock Exchange and such admission becoming effective on or before 30 November 1996), *inter alia*:
- to authorise the Directors under Section 80 of the Act to allot relevant securities (as defined in that Section) up to a maximum aggregate nominal amount of £9,510,351.50, during the period of five years from the date of the resolution, save that the Directors may allot relevant securities under any offer or agreement made by the Company before the expiry of such authority; and
 - to empower the Directors, under Section 95 of the Act, to allot equity securities (as defined by Section 94 of the Act) in respect of which they are authorised under the resolution described in sub-paragraph (i) above for cash as if Section 89(1) of the Act did not apply to such allotment, provided that this power is limited to the allotment of warrants in connection with the proposals.
- (d) The authorised but unissued share capital of the Company following implementation of the proposals would, on the assumption described in paragraph 5(a) above, be £5,919,829.50 representing 16.9 per cent. of the enlarged authorised share capital. Of this amount, £944,061 will be reserved for the issue of ordinary shares on exercise of the warrants. This sum represents approximately 11 per cent. of the total ordinary share capital in issue as at the date of this document.
- (e) Save as disclosed in this paragraph 5 or in connection with the proposals:-
- during the three years immediately preceding the date of this document, no share or loan capital of the Company has been issued or agreed to be issued nor is now proposed to be issued for cash or any other consideration and no commission, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital; and

- (ii) no share or loan capital of the Company is under option or is agreed, conditionally or unconditionally, to be put under option.
- (f) The provisions of Section 89(1) of the Act (which, to the extent not disapplied under Section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities (as defined in Section 94(2) of the Act) which are or are to be paid up in cash) apply to the authorised but unissued share capital of the Company. It is proposed that the provisions of Section 89(1) shall be disapplied to the extent mentioned in paragraph (c) above.
- (g) Other than under the proposals, no material issue of shares will be made within one year of the date of this document without the prior approval of shareholders in general meeting.
- (h) The new preferred shares, which will be in registered form, will be issued at par. The warrants will also be in registered form. Both are expected to be listed on the London Stock Exchange. Temporary documents of title will not be issued in connection with the bonus issues of new preferred shares and warrants. It is expected that non-renounceable share certificates will be dispatched in respect of the new preferred shares and the warrants not later than Monday, 21 October 1996.
- (i) None of the new preferred shares or the warrants will be sold or made available in whole or in part to the public other than under the proposals.
- (j) There are no arrangements in place under which future dividends are to be waived or agreed to be waived.
- (k) The last date on which transfers of existing preferred shares will be accepted for registration for participation in the bonus issues of new preferred shares and warrants will be 14 October 1996.

6. Directors interests

- (a) The interests of the Directors and their immediate families, all of which are beneficial, in the share capital of the Company which (i) have been notified under Sections 324 or 328 of the Act; or (ii) are required to appear in the register maintained under the provisions of Section 325 of the Act and (iii) (so far as is known to them) of those persons who are connected with the Directors (within the meaning of Section 346 of the Act) as at the date of this document are as follows:

<i>Ordinary Shares</i>	
J.D. Webster	7,500
Sir Hugh Bidwell	—
B.G. Hill	4,000
C.R. Tracey	—
J.G. Tregoning	16,059

In addition, J.G. Tregoning is treasurer of two charities which currently own an aggregate of 300,000 ordinary shares, representing 1.76 per cent. of the issued ordinary share capital. None of the Directors has an interest in the existing preferred shares.

- (b) The aggregate remuneration paid or payable to the Directors in the year ended 31 May 1996 was £27,500. The aggregate remuneration payable to the Directors for the year to 31 May 1997 is estimated to be £27,500, whether or not the proposals are approved.
- (c) There are no service agreements between the Directors and the Company and none are proposed.
- (d) J.G. Tregoning is a director of Robert Fleming & Co. Limited and C.R. Tracey is a director of Fleming Investment Management Limited to which FITM has delegated its investment management obligations in respect of the Company. Robert Fleming & Co. Limited, FITM and Fleming Investment Management Limited are wholly-owned subsidiaries of Robert Fleming Holdings Limited. FITM receives a management fee from the Company under the agreement described in paragraph 15 below.
- (e) Save as aforesaid, no Director has any interest in any transactions effected by the Company which are or were unusual in their nature or conditions or significant to the business of the Company and which were effected by the Company in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.
- (f) No loan has been granted to, nor any guarantee provided for the benefit of, any Director.
- (g) There is no arrangement under which any Director has agreed to waive future emoluments nor was there any waiver of emoluments during the financial year ended 31 May 1996.

7. Substantial holders

At 12 September 1996 (the latest practicable date prior to the printing of this document), the Company had been notified or was aware of the following interests (within the meaning of Part VI of the Act), directly or indirectly, in three per cent. or more of the issued ordinary shares and existing preferred shares:

	<i>Ordinary Shares</i>	<i>%</i>	<i>Preferred Shares</i>	<i>%</i>
Equitable Life Assurance Society London & Manchester (Portfolio Management)	3,127,425	18.4	750,000	4.4
Robert Fleming Holdings Limited (non- beneficial)†	2,970,000	17.5	—	—
Prestige Monthly Income Fund	2,396,698	14.1	3,031,920	17.8
Exeter High Income Unit Trust	—	—	1,545,000	9.1
SLC Asset Management Fixed Income Fund	—	—	750,000	4.4
Gartmore Practical Investment Trust	—	—	675,000	4.0
CIS Pension Scheme Nominees	—	—	650,000	3.8
Standard Life Assurance Company	720,000	4.2	—	—
	650,000	3.8	—	—

†includes 1,642,550 ordinary shares (9.7%) and 3,031,920 existing preferred shares (17.8%) owned by unit trusts and other funds managed by Save & Prosper Group Limited, which is wholly-owned by Robert Fleming Holdings Limited.

Save as disclosed in this paragraph, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

8. Investment portfolio

As at 12 September 1996 (the latest practicable date prior to the printing of this document), the ten largest equity investments, representing in aggregate approximately 27.1 per cent. of the Company's total assets, were as follows:

<i>Investment</i>	<i>Nature of business</i>	<i>Cost (£'000)</i>	<i>Value (£'000)</i>	<i>% of issued ordinary share capital</i>	<i>% of the Company's assets</i>
British Telecommunications	Telecommunications	3,061	2,913	0.01	3.95
Shell Transport & Trading	Oil, integrated	1,920	2,831	0.01	3.84
Glaxo Wellcome	Pharmaceuticals	1,926	2,577	0.01	3.49
HSBC Holdings	Banks, retail	1,450	2,149	0.02	2.91
National Westminster Bank	Banks, retail	2,036	2,132	0.02	2.89
British Petroleum	Oil, integrated	1,271	1,958	0.01	2.65
ZENECA Group	Pharmaceuticals	1,017	1,608	0.01	2.18
Standard Chartered	Banks, retail	1,311	1,503	0.02	2.04
Bass	Breweries, pubs and restaurants	980	1,198	0.02	1.62
Marks & Spencer	Retailers, general	1,020	1,118	0.01	1.51

The information set out below has been compiled from the latest audited financial statements of the companies concerned:

<i>Investment</i>	<i>Earnings per share (p)</i>	<i>Dividend per share (p)</i>	<i>Dividend cover</i>
British Telecommunications	31.6	18.7	1.7
Shell Transport & Trading	48.0	33.3	1.4
Glaxo Wellcome	44.5†	45.0†	1.0
HSBC Holdings	94.0	32.0	2.9
National Westminster Bank	67.6	25.3	2.7
British Petroleum	20.2	15.3	1.3
ZENECA Group	62.0*	31.0	2.0
Standard Chartered	45.9	11.0	4.2
Bass	43.4	22.7	1.9
Marks & Spencer	23.3	11.4	2.0

†Based on 18 months to 31 December 1995.

*Stated before exceptional items.

9. Share price history

The following table sets out the middle market quotation for the ordinary shares and the existing preferred shares (derived from the London Stock Exchange Daily Official List) for the first dealing day of each month in each of the six months before the date of this document and for 12 September 1996 (being the latest date prior to the publication of this document):

<i>Date</i>	<i>Price per</i>	<i>Price per</i>
	<i>ordinary share</i>	<i>existing preferred share</i>
1 April 1996	188p	160.5p
1 May 1996	207p	155.5p
3 June 1996	201p	155p
1 July 1996	191p	157p
1 August 1996	176p	158.5p
2 September 1996	194.5p	160.25p
12 September 1996	196p	160.25p

10. United Kingdom taxation

The following paragraphs contain certain general information relating to United Kingdom taxation of the Company and holders of ordinary shares or preferred shares in the Company which is based upon the law and practice which currently applies. Such information is intended to be a general guide only and will not apply to certain holders of ordinary shares or preferred shares (such as dealers). Further information on the United Kingdom taxation implications of the implementation of the proposals is contained in Part II of this document.

Shareholders who are in any doubt about their taxation position should consult their professional advisers on the potential tax consequences of the implementation of the proposals under the laws of their country of citizenship, domicile and/or residence.

The Company

The Company is and, after implementation of the proposals, will remain resident in the United Kingdom for United Kingdom tax purposes. It is the intention of the Directors to ensure that the Company will continue to satisfy the conditions for approval as an investment trust set out in Section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for a complete accounting period and the Company will, accordingly, continue to make application at the appropriate time for that approval in respect of each of its accounting periods. The Company will be exempt from United Kingdom taxation on all capital gains realised by it during each accounting period for which such approval is obtained. Implementation of the proposals will not affect the Company's eligibility for approval as an investment trust.

The Company is not, and after implementation of the proposals, will not be liable to pay corporation tax on any dividends or other distributions that it receives from other companies resident for tax purposes in the United Kingdom ("franked investment income") or on any foreign income dividends that it receives from such companies. Any other income that the Company earns will be liable to corporation tax.

Dividends

There is no United Kingdom withholding tax on dividends, but whenever the Company pays a dividend, on the ordinary shares or the preferred shares, it will be liable, subject as below, to account to the Inland Revenue for advanced corporation tax ("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. The Company will not be required to pay ACT on any dividend paid by it to the extent that the Company has received corresponding amounts of franked investment income.

A holder of ordinary shares or preferred shares 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 to one-quarter of the dividend. The individual will be taxed on the total of the dividend and the 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 the dividend, unless and except to the extent that the dividend and related tax credit exceed the individual's threshold for the higher rate of income tax, in which case the individual will to that extent, be liable to 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.) 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.

Subject to certain exceptions, a holder of ordinary or preferred shares 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 company shareholder will not be taxable on the dividend, and the dividend and related tax credit will be treated as franked investment income. The value of the tax credit would be an amount equal to one quarter of the dividend.

The taxation position of a shareholder who is not resident in the United Kingdom may depend on the provisions of any applicable double taxation treaty. Shareholders who are not resident for tax purposes in the United Kingdom should consult their own tax advisors 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.

The above paragraphs assume that the Company will not elect to treat any dividends paid by it as a foreign income dividend. The Company currently has no intention of electing so to treat any dividend.

Stamp duty and stamp duty reserve tax

No United Kingdom stamp duty or stamp duty reserve tax will be payable on the issue of the new preferred shares or the warrants.

11. Overseas shareholders

The bonus issue of new preferred shares and warrants to persons not resident in the United Kingdom and the exercise of warrants by warrant holders may be affected by the laws of the relevant jurisdiction. Shareholders and warrant holders so resident should inform themselves about and observe all applicable legal requirements. It is the responsibility of any person outside the United Kingdom to satisfy himself as to full observance of the laws of the relevant territory in connection with the proposals and the exercise of the warrants including the obtaining of any governmental or other consents which may be required or the compliance with other necessary formalities.

12. Litigation

The Company is not and has not been involved in any legal or arbitration proceedings which may have or have had during the 12 months preceding the date of this document a significant effect on the Company's financial position nor are any such proceedings pending or threatened by or against the Company.

13. Material contracts

There are no contracts, not being entered into in the ordinary course of business, which have been entered into by the Company during the two years immediately preceding the date of this document which are, or may be, material.

14. Indebtedness

At the close of business on 2 September 1996, the Company had no outstanding loan capital (including loan capital created but unissued), term loans or any other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances or acceptance credits, hire purchase commitments, obligations under finance leases, guarantees or other contingent liabilities.

At the close of business on the same date, the Company had cash and short-term deposits of £2,551,900

15. Management Agreement

Under an agreement between the Company and FITM dated 7 July 1993 (the "Management Agreement") FITM agreed to provide management and secretarial services to the Company and to receive fees calculated by reference to the Company's assets.

In consideration for its services the Company pays to FITM an annual fee (exclusive of VAT) equal to one half of one per cent. of the value of the Company's assets less its current liabilities, payable quarterly in arrears. In calculating this fee, no deduction is made for the principal amounts arising under loan agreements with an original maturity in excess of one year, but the value of any holding in investments trusts, unit trusts, funds and similar schemes, from which FITM or any associate receives a management or advisory fee based wholly or partly on assets or income, are excluded from the value of the Company's assets. Half of all fees and expenses are charged to the capital reserve.

The Management Agreement may be terminated without penalty by either party giving to the other not less than two years' written notice. FITM may terminate the Management Agreement without penalty by giving the Company four months' written notice if, in FITM's opinion, there has been a loss of confidence between FITM and the Company which makes its relationship with the Company as investment manager and secretary unworkable.

The Company may terminate the Management Agreement at any time on less than two years' notice provided that it pays FITM any outstanding fees together with a sum equivalent to the amount of fees which would be payable for two years from the date on which the notice was given less the period of notice, based on a valuation of the Company's assets at the end of the notice period. In addition, the Company can terminate FITM's appointment without penalty in certain limited circumstances.

16. Miscellaneous

- (a) The total expenses payable by the Company in connection with the proposals are estimated to amount to approximately £175,000 (inclusive of VAT) and will be charged to capital.
- (b) Credit Lyonnais Laing has given and has not withdrawn its written consent to the issue of this document with the references to its name in the form and context in which they are included. Credit Lyonnais Laing is a trading name of Credit Lyonnais Securities, which is registered in England with registered number 1008262. Its registered office is at Broadwalk House, 5 Appold Street, London EC2A 2DA. Credit Lyonnais Securities is regulated by The Securities and Futures Authority Limited and is a member of the London Stock Exchange.
- (c) There has been no significant change in the financial or trading position of the Company since 31 May 1996, the date to which the last audited accounts of the Company have been made up.
- (d) The Company has no subsidiaries.
- (e) The Company does not have and never has had any employees.
- (f) The Memorandum of Association of the Company provides that the Company's principal objects are to carry on the business of an investment trust company. The objects of the Company are set out in full in Clause 4 of its Memorandum of Association.

17. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company at 25 Copthall Avenue, London EC2R 7DR during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until the close of the extraordinary general meeting on 11 October 1996:-

- i) the existing Memorandum and Articles of Association of the Company and a final draft of the proposed new Articles of Association;
- ii) the audited accounts of the Company for the two years ended 31 May 1996;
- iii) a final draft of the deed poll constituting the warrants; and
- iv) the consent letter from Credit Lyonnais Laing referred to in paragraph 16(b) above.

THE FLEMING GEARED INCOME & ASSETS INVESTMENT TRUST PLC

NOTICE IS HEREBY GIVEN that a separate general meeting of the holders of the ordinary shares of 50p each of the above-named Company will be held at 25 Copthall Avenue, London EC2 on Friday, 11 October 1996 at 11.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution:

EXTRAORDINARY RESOLUTION

THAT this separate general meeting of the holders of the ordinary shares of 50p each of the Company hereby sanctions the passing by the Company as a special resolution of the resolution set out in the notice of an extraordinary general meeting of the Company convened for 11 October 1996 and such variation or abrogation of the special rights or privileges attached to the said shares as is or may be effected by or involved in such resolution or the implementation of the proposals as described in the circular to shareholders dated 16 September 1996, of which this notice forms part.

If this meeting should be adjourned on the basis that there is not a quorum of holders of ordinary shares present in person or by proxy, the adjourned meeting will be held at 25 Copthall Avenue, London EC2 on Monday, 14 October 1996 at 11.00 a.m.

Registered Office:
25 Copthall Avenue
London EC2R 7DR

By Order of the Board
Fleming Investment Trust Management Limited
Secretary

Dated: 16 September 1996

Note:

A holder of ordinary shares entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll to vote in his place. A proxy need not also be a member. A blue form of proxy is enclosed for use at the meeting.

THE FLEMING GEARED INCOME & ASSETS INVESTMENT TRUST PLC

NOTICE IS HEREBY GIVEN that a separate general meeting of the holders of the 6.3-13.3 per cent. cumulative limited participating preferred shares of £1 each of the above-named Company will be held at 25 Copthall Avenue, London EC2 on Friday, 11 October 1996 at 11.05 a.m. (or as soon thereafter as the separate general meeting of the holders of the ordinary shares of 50p each of the Company convened for the same place and date shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as an extraordinary resolution:

EXTRAORDINARY RESOLUTION

THAT this separate general meeting of the holders of the 6.3-13.3 per cent. cumulative limited participating preferred shares of £1 each of the Company hereby sanctions the passing by the Company as a special resolution of the resolution set out in the notice of an extraordinary general meeting of the Company convened for 11 October 1996 and such variation or abrogation of the special rights or privileges attached to the said shares as is or may be effected by or involved in such resolution or the implementation of the proposals as described in the circular to shareholders dated 16 September 1996, of which this notice forms part.

If this meeting should be adjourned on the basis that there is not a quorum of holders of preferred shares present in person or by proxy, the adjourned meeting will be held at 25 Copthall Avenue, London EC2 on Monday, 14 October 1996 at 11.05 a.m.

Registered Office:
25 Copthall Avenue
London EC2R 7DR

By Order of the Board
Fleming Investment Trust Management Limited
Secretary

Dated: 16 September 1996

Note:

A holder of preferred shares entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll to vote in his place. A proxy need not also be a member. A pink form of proxy is enclosed for use at the meeting.

THE FLEMING GEARED INCOME & ASSETS INVESTMENT TRUST PLC

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of the above-named Company will be held at 25 Copthall Avenue, London EC2 on Friday, 11 October 1996 at 11.10 a.m., (or as soon thereafter as the meeting of the holders of the preferred shares of the Company convened for the same place and date shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution as a special resolution:

SPECIAL RESOLUTION

THAT, subject to and conditionally upon the holders of the ordinary shares and 6.3-13.3 per cent. cumulative limited participating preferred shares of the Company sanctioning the variation or abrogation of the special rights or privileges attached thereto as is or may be effected by or involved in this resolution and the implementation of the proposals (as defined in the circular to shareholders dated 16 September 1996 ("the Circular") and subject to the admission to the Official List of the London Stock Exchange Limited of the new preferred shares and the warrants (as each of those terms is defined in the Circular) to be issued under the proposals becoming effective not later than 30 November 1996:

- (i) the authorised share capital of the Company be increased from £27,000,000 to £35,000,000 by the creation of 2,000,000 ordinary shares of 50p each and 7,000,000 "x" per cent. cumulative limited participating preferred shares of £1 each (where "x" shall be the number resulting from the formula set out in Article 2 of the Articles of Association to be adopted under sub-paragraph (vii) of this resolution), having the respective rights and being subject to the respective restrictions set out in the said Articles of Association;
- (ii) the directors of the Company ("the Directors") be and are generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 ("the Act") (and so that expressions used in this resolution shall bear the same meanings as in the said Section 80) to exercise all the powers of the Company to allot relevant securities up to an aggregate maximum nominal amount of £9,510,351.50 to such persons and at such times and on such terms as it thinks proper during the period expiring at the end of five years from the date of the passing of this resolution save that the Company may at any time before the expiry of such authority make an offer or enter into an agreement which would or might require relevant securities of the Company to be allotted after the expiry and the Directors may allot relevant securities of the Company under such offer or agreement as if such authority had not expired, such authority to be in substitution for all existing authorities granted to the Directors in respect of relevant securities;
- (iii) the Directors be and are empowered in accordance with Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash, under the authority conferred on them to allot relevant securities (as defined in Section 80 of the Act) under sub-paragraph (ii) of this resolution as if Section 89(1) of the Act did not apply to the allotment, provided that the power conferred by this resolution shall be limited to the allotment, on the basis set out in the Circular, of 1,888,122 warrants (as that term is defined in the Circular) to the holders of existing preferred shares (as so defined) on the register at the close of business on 9 October 1996 and further provided that such power shall expire at the end of the Annual General Meeting of the Company to be held in 1997 or, if earlier, on 10 January 1998, save that the Company may, at any time before the expiry of such power, make an offer or enter into an agreement which would or might require equity securities to be allotted after

such expiry and the Directors may allot equity securities under such offer or agreement as if the authority conferred hereby had not expired;

- (iv) the Directors be and are hereby authorised to capitalise any sum standing to the credit of the Company's share premium account by appropriating such sum to the holders of existing preferred shares (as that term is defined in the Circular) on the register at the close of business on 14 October 1996 in the proportion described in the Circular for allotment and distribution, credited as fully paid up, to and amongst them as bonus shares in the proportion aforesaid and that pursuant to such aforementioned authority. The sum of up to £7,000,000 being part of the sum standing to the credit of the share premium account of the Company be capitalised and applied in paying up in full at par up to 7,000,000 "x" per cent. cumulative limited participating preferred shares of £1 each in the capital of the Company, which shares are to be allotted, credited as fully paid up, to the holders of existing preferred shares (as that term is defined in the Circular) on the register at the close of business on 9 October 1996 in the proportion described in the Circular;
- (v) the 6.3-13.3 per cent. cumulative limited participating preferred shares of £1 each (issued and authorised but unissued) be reclassified as "x" per cent. cumulative preferred shares of £1 each having the rights and being subject to the restrictions set out in the Articles of Association to be adopted under sub-paragraph (vii) of this resolution (where "x" shall be the number resulting from the formula set out in Article 2 of the Articles of Association to be adopted under sub-paragraph (vii) of this resolution);
- (vi) the Company be and is hereby authorised to purchase up to 1,888,122 warrants to subscribe for the Company's ordinary shares of 50p each to be issued in connection with the proposals (as that term is defined in the Circular);
- (vii) the new Articles of Association produced to the meeting and initialled by the Chairman for the purpose of identification be adopted in substitution for, and to the exclusion of, all existing Articles of Association of the Company; and
- (viii) subject to the consent of the Registrar of Companies, the name of the Company be changed to "The Fleming Geared Investment Trust plc".

Registered Office:
25 Copthall Avenue
London EC2R 7DR

By Order of the Board
Fleming Investment Trust Management Limited
Secretary

Dated: 16 September 1996

Note:

Holders of ordinary shares and 6.3-13.3 per cent. cumulative limited participating preferred shares are entitled to attend and vote at the above meeting. A member entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll to vote in his place. A proxy need not also be a member. A white form of proxy is enclosed for use at the meeting.