

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about what action you should take, you are recommended to consult your independent financial adviser authorised under the Financial Services Act 1986. If you have sold or transferred all of your Ordinary Shares and/or ZDP Shares in Aberdeen Preferred Income Trust PLC ("Abpref") and Aberdeen Preferred Securities PLC ("Abpref Securities") respectively, please send this document, together with the accompanying documents, at once to the purchaser or transferee or stockbroker, banker or other agent through whom the sale or transfer was made, for onward transmission to the purchaser or transferee.

This document, which comprises an issue note relating to Abpref and Abpref Securities prepared in accordance with the listing rules of the UK Listing Authority, should be read in conjunction with the shelf document of Abpref and Abpref Securities dated 19 September 2000. Only a combined shelf document and issue note comprise a prospectus or listing particulars. Copies of this document and of the Shelf Document (together comprising a prospectus) have been delivered for registration to the Registrar of Companies in England and Wales in accordance with sections 149 and 154A of the Financial Services Act 1986. The Shelf Document has been published on the United Kingdom Listing Authority's website and is available for inspection as stated in paragraph 9 of Part V of this document. Copies may also be obtained from the registered office of Abpref and Abpref Securities.

Application has been made to the UK Listing Authority and to the London Stock Exchange for the New Ordinary Shares and the 2008 ZDP Shares now being issued to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange, respectively. It is expected that admission to the Official List will become effective, and that dealings in the New Ordinary Shares and the 2008 ZDP Shares will commence, on 7 November 2000.

Brewin Dolphin Securities Limited, which is regulated by The Securities and Futures Authority Limited, is acting for Abpref and Abpref Securities and for no-one else in connection with the Proposals described in this document and will not be responsible to anyone other than Abpref and Abpref Securities for providing the protections afforded to customers of Brewin Dolphin Securities Limited or for affording advice in relation to the Proposals.

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## **ABERDEEN PREFERRED INCOME TRUST PLC**

*(registered in England and Wales with number 3263071)*

and

## **ABERDEEN PREFERRED SECURITIES PLC**

*(registered in England and Wales with number 2470307)*

### **PROPOSALS**

including  
Placing and Open Offer  
of up to 41,227,049 New Ordinary Shares at 136p per share  
and up to 10,085,948 2008 ZDP Shares at 100p per share  
payable in full on application  
sponsored by

### **BREWIN DOLPHIN SECURITIES LIMITED**

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Notice of an extraordinary general meeting of Abpref to be held at One Bow Churchyard, Cheapside, London EC4M 9HH on 3 November 2000 is set out on page 39. The action to be taken by holders of Ordinary Shares is set out on page 15. Notices of an extraordinary general meeting of Abpref Securities and of a separate general meeting of the holders of the ZDP Shares, each to be held at One Bow Churchyard, Cheapside, London EC4M 9HH on 3 November 2000 are set out on pages 40 to 49. Holders of ZDP Shares are entitled to attend and vote at the Abpref Securities EGM and at the Separate General Meeting but not at the Abpref EGM. The action to be taken by holders of ZDP Shares is set out on page 15.

To be valid, forms of proxy for use at the Abpref EGM, the Abpref Securities EGM and the Separate General Meeting must be received at the offices of the Company's registrars, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5WY as soon as possible but in any event so as to arrive not less than 48 hours before the time for holding the relevant Meeting.

Applications under the Open Offer may be made only on the enclosed Application Forms which are personal to the Shareholders named thereon and may not be assigned or split except to satisfy *bona fide* market claims. Completed Application Forms must be returned by post or by hand during normal business hours to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA or by hand only during normal business hours to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL so as to be received no later than 3.00 p.m. on 31 October 2000, or on 27 October 2000 in the case of participants in the Aberdeen Savings Plans.

Dated: 10 October 2000



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## EXPECTED TIMETABLE

	2000
Record Date for the Open Offer	close of business on 29 September
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims)	3.00 p.m. on 27 October
Latest time and date for receipt of Letters of Direction and Application Forms from participants in the Aberdeen Savings Plans	3.00 p.m. on 27 October
<b>Latest time and date for receipt of Application Forms and payment in full</b>	<b>3.00 p.m. on 31 October</b>
Latest time and date for lodging forms of proxy for the Abpref EGM	10.00 a.m. on 1 November
Latest time and date for lodging forms of proxy for the Abpref Securities EGM	10.02 a.m. on 1 November
Latest time and date for lodging forms of proxy for the Separate General Meeting	10.04 a.m. on 1 November
Abpref EGM	10.00 a.m. on 3 November
Abpref Securities EGM	10.02 a.m. on 3 November
Separate General Meeting of ZDP Shareholders	10.04 a.m. on 3 November
Dealings commence in the New Shares	7 November*
CREST accounts credited and definitive certificates despatched in respect of the New Shares	7 November*

\* if the Separate General Meeting is adjourned for want of a quorum, these dates are expected to be 13 November 2000

## DEFINITIONS

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

"Aberdeen Savings Plans"	the Aberdeen Investment Trust Share Plan, the Aberdeen Investment Trust PEP and the Aberdeen Investment Trust ISA
"Abpref"	Aberdeen Preferred Income Trust PLC
"Abpref EGM"	the extraordinary general meeting of Abpref convened for 3 November 2000
"Abpref Group" or "Group"	Abpref and Abpref Securities
"Abpref Securities"	Aberdeen Preferred Securities PLC
"Abpref Securities EGM"	the extraordinary general meeting of Abpref Securities convened for 3 November 2000
"Act"	the Companies Act 1985 as amended
"Admission"	admission of the New Ordinary Shares and the 2008 ZDP Shares to the Official List of the UK Listing Authority
"Application Forms"	the application forms relating to the Open Offer
"Assumptions"	the principal bases and assumptions set out in Part III of this document
"Bank"	Robert Fleming & Co. Limited, The Chase Manhattan Bank or Chase Manhattan plc
"Brewin Dolphin Securities" or "BDS"	Brewin Dolphin Securities Limited
"Directors" or "Board"	the directors of Abpref and/or the directors of Abpref Securities or the board of directors from time to time of Abpref and/or Abpref Securities as the case may require, and "Director" shall be construed accordingly
"Existing Bank Loan"	the existing borrowings of Abpref from the Bank (for itself or as agent bank) (and any related interest rate swap agreements)
"Income Share Portfolio"	that part of the investments of the Group comprising principally geared ordinary and other income shares (by whatever name called) of investment trusts
"Letter of Direction"	the letters of direction instructing Henderson Nominees Limited as to the voting intentions of persons holding their shares in the Aberdeen Savings Plans
"Loan Notes"	the subordinated loan note in the principal sum of £32 million issued by Abpref to Abpref Securities pursuant to a resolution of a committee of the Board passed on 7 April 1998, the subordinated loan note dated 28 August 1998 in the principal sum of £57.3 million issued by Abpref to Abpref Securities and the subordinated loan note dated 9 June 1999 in the principal sum of £8.7 million issued by Abpref to Abpref Securities, each repayable at par on 28 March 2003
"Manager" or "AAM"	Aberdeen Asset Managers Limited
"Meetings"	the Abpref EGM, the Abpref Securities EGM and the Separate General Meeting or, in each case, any adjournment thereof

"Net Present Value" or "NPV"	in relation to an Ordinary Share, its value at a given date arrived at by discounting back to that date at a given annual percentage rate the total projected and assumed cashflows attributable to such Ordinary Share, calculated on the basis of the Assumptions
"New Bank Loan"	the proposed borrowings of up to £151 million as referred to in Part I of this document and any related interest rate swap agreements
"New Shares"	the New Ordinary Shares and the 2008 ZDP Shares
"New Ordinary Shares"	the new Ordinary Shares to be issued pursuant to the Placing and Open Offer
"Open Offer"	the conditional invitations to Qualifying Shareholders, by BDS on behalf of Abpref and Abpref Securities, to apply in the case of holders of Ordinary Shares, for New Ordinary Shares and in the case of holders of 2003 ZDP Shares, for 2008 ZDP Shares, in each case on the terms and conditions set out or referred to in Part II of this document and in the relative Application Forms
"Ordinary Shareholder"	a holder of Ordinary Shares
"Ordinary Shares"	ordinary shares of 10p each in the capital of Abpref
"Placing"	the conditional placing by BDS of up to 41,227,049 New Ordinary Shares and up to 10,085,948 2008 ZDP Shares as described in this document
"Placing Agreement"	the agreement dated 6 October 2000 between BDS, Abpref, Abpref Securities and the Manager relating to the Placing and Open Offer, the principal terms of which are summarised in paragraph 7.1 of Part V of this document
"Projected Asset Value" or "PAV"	in relation to an Ordinary Share, its projected net asset value at the 2008 ZDP Repayment Date calculated on the basis of the Assumptions
"Proposals"	the Open Offer, the Placing, the New Bank Loan, the adjustment of Abpref's investment policy, the undating of Abpref Securities, the reduction of Abpref's share premium account and the amendment to the terms of the Loan Notes, each as described in Part I of this document
"Qualifying Shareholders"	Shareholders on the relevant register of members at the Record Date, other than certain overseas Shareholders as provided in Part II of this document but including participants at the Record Date in the Aberdeen Savings Plans and excluding the nominees for participants in the Aberdeen Savings Plans
"Record Date"	close of business on 29 September 2000
"Redemption Yield" or "RY"	in relation to a New Share, the rate of discount expressed as a percentage per annum which, when applied to projected future income and capital cashflows attributable to the New Share, produces an amount equal to its issue price, calculated on the basis of the Assumptions
"Resolutions"	the resolutions to be proposed at the Abpref EGM, the Abpref Securities EGM and the Separate General Meeting as set out in the Notices convening such meetings and included in this document

“RPI”	the United Kingdom all items retail prices index (January 1987 = 100) published by the UK Office for National Statistics
“RPI-Linked Debenture”	the 5¾ per cent. RPI-Linked Debenture Stock 2007 of Abpref
“Separate General Meeting”	the separate general meeting of holders of 2003 ZDP Shares convened for 3 November 2000
“Shares”	Ordinary Shares and ZDP Shares
“Shareholders”	holders of any Shares
“Shelf Document”	the document dated 19 September 2000 and comprising a shelf document relating to Abpref and Abpref Securities prepared in accordance with the listing rules of the UK Listing Authority
“UKLA” or “UK Listing Authority”	The Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services Act 1986 (as amended)
“ZDP Shareholders”	holders of ZDP Shares
“ZDP Shares”	zero dividend preference shares of 5p each in the capital of Abpref Securities including 2003 ZDP Shares and/or 2008 ZDP Shares as the context requires
“2003 ZDP Repayment Date”	31 March 2003
“2008 ZDP Repayment Date”	31 October 2008
“2003 ZDP Shares”	the existing zero dividend preference shares of 5p in the capital of Abpref Securities
“2008 ZDP Shares”	the zero dividend preference shares 2008 of 5p each in the capital of Abpref Securities to be issued pursuant to the Placing and Open Offer

## PART I

### LETTER FROM THE CHAIRMAN

#### **ABERDEEN PREFERRED INCOME TRUST PLC**

*registered in England and Wales with registered  
number 3263071; an investment company within the  
meaning of section 266 of the Companies Act 1985*

##### *Directors:*

D W C Morgan OBE, DL (*Chairman*)  
C D Fishwick  
H A Hyman  
I R Marks CBE  
N E Osborn  
R B Wild

#### **ABERDEEN PREFERRED SECURITIES PLC**

*registered in England and Wales with registered  
number 2470307; an investment company within the  
meaning of section 266 of the Companies Act 1985*

##### *Registered Office:*

One Bow Churchyard  
Cheapside  
London EC4M 9HH

10 October 2000

*To the holders of Ordinary Shares and 2003 ZDP Shares*

Dear Shareholder

### PLACING AND OPEN OFFER AND OTHER PROPOSALS

#### **INTRODUCTION TO THE PROPOSALS**

The Board today announced proposals including the issue of up to 41,227,049 New Ordinary Shares and up to 10,085,948 2008 ZDP Shares and the arrangement of a new bank facility. I am writing to give you details of, and the reasons for, the Proposals and to outline the benefits for Shareholders.

The proposed Placing and Open Offer of New Ordinary Shares and 2008 ZDP Shares will, on the basis of the Assumptions, raise approximately £64.4 million before expenses. It is proposed that the Company's bank borrowings will be replaced by new borrowings and that the bank borrowings will be increased from £81 million to up to £151 million.

The proposed Placing and Open Offer and the drawdown of the New Bank Loan are conditional on, *inter alia*, shareholder approvals as referred to under "The Meetings" on page 15 below.

The Proposals include changes to Abpref's investment policy and dividend policy. The investment policy is being extended to allow investment in euro-denominated fixed interest securities. As well as increasing the dividends from the current annual level of 17.6p to 19.2p per Ordinary Share as a result of the Proposals, the Directors intend from May 2001 to move from the present quarterly dividend payments to monthly payments.

The Proposals also entail the undating of Abpref Securities, that is, removing its fixed winding-up date. Following implementation of the Proposals both Abpref and Abpref Securities will have indefinite lives.

#### **BENEFITS OF THE PROPOSALS FOR EXISTING SHAREHOLDERS**

##### *2003 ZDP Shareholders*

As no further 2003 ZDP Shares are being issued pursuant to the Proposals, and since the new 2008 ZDP Shares will rank for repayment behind the 2003 ZDP Shares, the whole of the net proceeds of the Placing and Open Offer will contribute to the cover of the existing 2003 ZDP Shares. On the basis of the Assumptions, this would result in the cover of the 2003 ZDP Shares being increased from 1.52 times to 1.64 times upon implementation of the Proposals. For this purpose "cover" is the number of times by which the value of the total assets of the Group exceeds the aggregate of (i) Abpref's bank borrowings and the RPI-Linked Debenture, (ii) the final capital entitlement of the 2003 ZDP Shares and (iii) the net costs expected (assuming no capital or income growth in Abpref's investment portfolio but otherwise on the basis of the Assumptions) to be charged to capital account over the period to the 2003 ZDP Repayment Date.

### Ordinary Shareholders

The Directors believe that the Proposals should have a favourable impact on the market perception of the Ordinary Shares, not least from the re-emphasising of the indefinite life of the Group by the rescheduling of bank borrowings, the issue of longer dated ZDP Shares and the formal "undating" of Abpref Securities. This, together with the higher level of income generation as a result of the adjustment of Abpref's investment policy and the switch to monthly dividends, should improve expectations as to the future performance of the Ordinary Shares. The Directors regard these effects as ongoing, over and above the impact of an uplift in net asset value as an immediate result of the implementation of the Proposals as referred to below.

As a result of the Proposals, the dividend payments on the Ordinary Shares are, from next April, expected to increase from the current level of 17.6p net per share to 19.2p net, an increase of 9.1 per cent. The change from quarterly to monthly dividend payments should also be of advantage, as outlined under "Dividend policy and forecasts" below.

The Proposals will, on the basis of the Assumptions, result in an immediate uplift in the net asset value of an Ordinary Share of 4.92p. Also, as most of the new gearing is being provided by new bank borrowings as opposed to zero dividend preference shares, the prospects for growth in the net asset value of the Ordinary Shares should be improved since the cost of bank borrowings is shared between the capital and revenue accounts rather than being charged exclusively to capital account. The Projected Asset Value of an Ordinary Share (that is, its projected net asset value on 31 October 2008 calculated on the basis of different portfolio growth rates and otherwise on the basis of the Assumptions) will be as follows:

<i>Investment portfolio growth</i> <sup>†</sup>	<i>PAV before Admission</i>	<i>PAV after Admission</i>	<i>% change</i>
0% p.a.	34p	50p	+47.1%
5% p.a.	128p	143p	+11.7%

<sup>†</sup> the growth rates in the table apply to all of Abpref's investments except for the UK convertibles and bonds portfolio and the euro-denominated fixed interest portfolio whose income and capital are assumed to grow at a fixed rate of 2 per cent. per annum

### THE PLACING

Brewin Dolphin Securities has agreed to use its reasonable endeavours to place conditionally on behalf of Abpref and Abpref Securities up to 41,227,049 New Ordinary Shares at 136p per share and up to 10,085,948 2008 ZDP Shares at 100p per share, subject to clawback in favour of Qualifying Shareholders who make valid applications under the Open Offer. The placing of the New Ordinary Shares is conditional on, *inter alia*, the passing of the special resolution to be proposed at the Abpref EGM. The placing of the 2008 ZDP Shares is conditional on, *inter alia*, the passing of this resolution and also on the passing of the special resolution and the extraordinary resolution to be proposed at the Abpref Securities EGM and at the Separate General Meeting respectively. A summary of the principal terms of the Placing Agreement is set out in paragraph 7.1 of Part V of this document.

### THE OPEN OFFER

The Open Offer is being made by Brewin Dolphin Securities on behalf of Abpref and Abpref Securities. Under the Open Offer 41,227,049 New Ordinary Shares are being offered to Qualifying Shareholders holding Ordinary Shares and 10,085,948 2008 ZDP Shares are being offered to Qualifying Shareholders holding 2003 ZDP Shares.

Qualifying Shareholders are entitled to participate in the Open Offer on the basis of:

8 New Ordinary Shares                      for every 25 existing Ordinary Shares held at the Record Date

1 2008 ZDP Share                              for every 4 2003 ZDP Shares held at the Record Date.

Qualifying Shareholders may apply for any whole number of New Ordinary Shares or 2008 ZDP Shares up to or in excess of their *pro rata* entitlement. Excess applications will be satisfied to the extent that other Qualifying Shareholders do not take up their entitlements.

The New Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares except that they will not rank for the second or third interim dividends referred to in the table on page 10. The 2008 ZDP Shares will have the rights set out in the articles of association of Abpref Securities as amended by the Resolution to be proposed at the Abpref Securities EGM and will rank for repayment after the 2003 ZDP Shares.

The offer of New Ordinary Shares is conditional on, *inter alia*, the passing of the special resolution to be proposed at the Abpref EGM. The offer of 2008 ZDP Shares is conditional on, *inter alia*, the passing of this resolution and also on the passing of the special resolution to be proposed at the Abpref Securities EGM and on the passing of the extraordinary resolution at the Separate General Meeting.

Full details of the Open Offer and the terms of application are set out in the letter from Brewin Dolphin Securities in Part II of this document and in the Application Forms.

#### THE NEW BANK LOAN

Abpref will continue to seek to enhance the returns to its Ordinary Shareholders by utilising gearing in the form of bank borrowings, as well as the gearing provided by the 2003 ZDP Shares and the 2008 ZDP Shares.

Abpref currently has in place borrowings totalling approximately £39 million under the RPI-Linked Debenture and a subordinated unsecured loan stock (which are repayable in 2007 and 2023 respectively), but the majority of its indebtedness comprises borrowings from the Bank of £81 million under three loan agreements, repayable in 2002. As Abpref has an indefinite life, the Directors now consider it appropriate to extend the maturity of a large part of Abpref's bank borrowings beyond 2002. The Directors also wish, so far as is practicable, to match Abpref's euro-denominated assets with euro-denominated liabilities.

To this end, Abpref and the Bank have in principle agreed to replace the three loan agreements with one loan agreement, at the same time increasing Abpref's borrowings from £81 million to up to £151 million. The Bank is proposing to arrange a syndicate of banks to participate in the New Bank Loan.

The New Bank Loan is intended to be split into three tranches consisting of:

1. £51 million term facility repayable in December 2002 ("Tranche A").
2. The equivalent in euros of £50 million term facility (the amount in euros to be fixed at drawdown at the rates prevailing on the date of drawdown) repayable sixty months after signing of the new syndicated loan agreement ("Tranche B").
3. £50 million revolving facility drawable in sterling and euro and repayable eighty-four months after signing of the new syndicated loan agreement ("Tranche C").

The maximum amount available under the new syndicated loan agreement will be the lower of £151 million and 37.5 per cent. of the adjusted total assets of Abpref following completion of the Proposals. In the event that the amount available is less than £151 million, each tranche will be scaled back *pro rata*.

Abpref intends initially to draw down £131 million under the new agreement, leaving £20 million undrawn under Tranche C. The sterling denominated borrowings will be used to refinance the Existing Bank Loan. The euro denominated borrowings will be used to fund euro-denominated fixed interest investments, thereby minimising currency exposure on that portion of Abpref's portfolio.

Under the indicative terms of the New Bank Loan, Abpref will pay interest on any euros drawn down, at Abpref's option, at one, two, three or six months LIBOR for euros plus a margin of 80 basis points for Tranche B and 90 basis points for Tranche C. The Directors intend to fix the rate of interest payable by Abpref entering into interest rate swap agreements. Based on euro interest rate swap rates offered in the London Inter-Bank market at 11.00 a.m. on 5 October 2000 and the interest rate margins, the effective weighted average interest rate on the euro drawings, if fixed at that time, would have been 6.24 per cent. per annum.



Under the indicative terms of the New Bank Loan, Abpref will pay interest on any sterling drawn down, at Abpref's option, at one, two, three or six months LIBOR for sterling plus a margin of 55 basis points for Tranche A and 90 basis points for Tranche C. The Directors intend in respect of any sterling drawn down, that Abpref enter into interest rate swap agreements. Based on sterling interest rate swap rates offered in the London Inter-Bank market at 11.00 a.m. on 5 October 2000 and the interest rate margins, the effective weighted average interest rate on the sterling drawings, if fixed at that time, would have been 7 per cent. per annum.

The Placing and Open Offer are conditional on a satisfactory definitive loan agreement being entered into with the Bank prior to Admission.

#### **ADJUSTMENT OF INVESTMENT POLICY**

Abpref's investment objective is to generate a high portfolio yield while providing an exposure to the UK equity market. Its current investment policy is to invest mainly in UK securities which produce high investment income, including geared ordinary income shares of investment trusts and convertible preference shares. Emphasis is placed on those geared ordinary income shares of investment trusts whose characteristics should not result in significant erosion of their capital value over their life.

The Manager has identified the euro-denominated fixed interest market as a market in which attractive yields are available and currency exposure can be hedged by relatively inexpensive euro-denominated bank borrowings. It is anticipated that the introduction of these higher yielding fixed interest securities into Abpref's investment portfolio will reduce the yield required from Abpref's other fixed interest investments.

Accordingly the Board has provisionally approved an adjustment to Abpref's investment policy to take effect on completion of the Proposals, whereby a proportion of Abpref's total assets may be invested in euro-denominated fixed interest securities. It is envisaged that, initially, up to 10 per cent. of Abpref's total assets will be invested in euro-denominated fixed interest securities. The change in investment policy will not be brought into effect unless Abpref is in a position to draw down euro-denominated bank borrowings.

As at 5 October 2000, 54 per cent. of Abpref's assets was invested in the Income Share Portfolio, 5 per cent. in UK equities and preference shares, 40 per cent. in UK convertibles and bonds and 1 per cent. was uninvested.

#### **DIVIDEND POLICY AND FORECASTS**

The current policy of Abpref is to distribute substantially all of its net revenue by way of four quarterly dividends. The dividends paid in respect of the financial year ended 28 February 2000 totalled 17.2p net per Ordinary Share.

In the year 2001 the Directors expect to make two changes with regard to dividends. The first is that the fourth interim dividend for the current financial year, expected to be earned in the quarter commencing 1 December 2000 and paid in April 2001, will be increased to 4.8p net instead of the current quarterly level of 4.4p net. It is intended that this increased level (i.e. the rate of 19.2p per annum) will be maintained, so that the total dividends payable in respect of the financial year ending 28 February 2002 will be 19.2p net per Ordinary Share.

The second change is that, with effect from May 2001, the Directors intend to pay dividends on a monthly, rather than a quarterly, basis. The move to monthly dividend payments is primarily in response to demand from both institutional and retail investors. It should avoid the quite pronounced drop in the market price of the Ordinary Shares which has tended to take place on successive quarterly ex dividend dates.

The New Ordinary Shares will not rank for the second or the third interim dividends referred to in the table below, but will, upon issue, rank *pari passu* in all other respects with the existing Ordinary Shares. Because the record dates for the second and third interim dividends will fall before the commencement of dealings in the New Ordinary Shares, the New Ordinary Shares and the existing Ordinary Shares will be dealt in as one identical security.

The resulting dividend payments for the remainder of the current financial year and for the next financial year are, conditional upon implementation of the Proposals and in the absence of unforeseen circumstances, forecast to be as follows:

<i>Dividend</i>	<i>Amount</i>	<i>Ex dividend date</i>	<i>Payment date</i>
<b>Year ending 28.02.01</b>			
Second interim (existing Ordinary Shares only)	4.4p	25.09.00	17.11.00
Third interim (existing Ordinary Shares only)	4.4p	30.10.00	18.01.01
Fourth (last quarterly) interim	4.8p	28.03.01	18.04.01
<b>Year ending 28.02.02</b>			
May interim	1.6p	25.04.01	24.05.01
June interim	1.6p	23.05.01	28.06.01
July interim	1.6p	27.06.01	26.07.01
August interim	1.6p	25.07.01	23.08.01
September interim	1.6p	22.08.01	27.09.01
October interim	1.6p	26.09.01	25.10.01
November interim	1.6p	24.10.01	22.11.01
December interim	1.6p	21.11.01	28.12.01
January interim	1.6p	27.12.01	19.01.02
February interim	1.6p	16.01.02	21.02.02
March interim	1.6p	20.02.02	21.03.02
April interim	1.6p	20.03.02	25.04.02

The above forecasts relate to dividends only and are not profit forecasts. The forecasts for the year ending 28 February 2002 are made on the basis of the Assumptions.

#### **UNDATING OF ABPREF SECURITIES**

The issue by Abpref Securities of the new class of 2008 ZDP Shares necessarily entails the removal from the articles of association of Abpref Securities of the provisions for mandatory winding-up on the 2003 ZDP Repayment Date, as proposed in the Resolutions relating to Abpref Securities.

The 2003 ZDP Shares will still be repaid on the 2003 ZDP Repayment Date, but it is not now intended that the repayment will be made by liquidators in a winding up. Instead, the method of repayment currently envisaged is that Abpref will either procure purchasers for, or itself offer to purchase, those 2003 ZDP Shares whose holders choose a cash exit at that time, and this method would ensure that the capital gains tax treatment of such holders would be the same as in a winding-up. It is important to note however that, in the absence of any alternative method of repayment, the articles of association of Abpref Securities will safeguard the entitlement of the 2003 ZDP Shareholders to be repaid in a winding-up, but only as a last resort.

#### **RIGHTS AND CHARACTERISTICS OF THE NEW ORDINARY SHARES AND THE 2008 ZDP SHARES**

##### **New Ordinary Shares**

###### *Revenue*

Abpref's investment policy is designed to provide holders of the Ordinary Shares with a high income yield, with an exposure to the UK equity market. Dividends on the Ordinary Shares are currently paid quarterly. As stated under the heading "Dividend policy and forecasts" above, from April 2001 the Directors expect to pay dividends which, on an annualised basis, would amount to 19.2p net per Ordinary Share. At the issue price of 136p per New Ordinary Share, this represents a prospective net dividend yield of 14.1 per cent. From May 2001, the Directors expect to pay dividends on the Ordinary Shares on a monthly basis rather than a quarterly basis.

## Capital

The net asset value of an Ordinary Share as at 5 October 2000 (the latest practicable date prior to the publication of this document as at which the unaudited net asset value was published) was 109.7p (excluding current period revenue). The Proposals will, on the basis of the Assumptions, result in an immediate uplift in the net asset value of an Ordinary Share of 4.92p. Immediately following completion of the Proposals the Group's total assets will be approximately £478.7 million, after expenses, represented by:

Debenture Stock	£20.2 million
New Bank Loan	£131.0 million
2003 ZDP Shares (at then current entitlement)	£106.0 million
2008 ZDP Shares (at initial entitlement)	£10.0 million
Subordinated loan stock	£18.8 million
	£286.0 million
Ordinary Shares (at net asset value)	£192.7 million
Total assets	<u>£478.7 million</u>

On the basis of the Assumptions, the net assets attributable to the 168,834,529 Ordinary Shares in issue immediately following the Proposals will amount to £192.7 million. On the same basis, the capital gearing of the Ordinary Shares (calculated by taking the aggregate of the Debenture Stock, the New Bank Loan, subordinated loan stock and ZDP Shares as a percentage of total assets) will be 59.7 per cent. The existence of this high capital gearing in the form of the prior ranking borrowings and zero dividend preference shares may lead to volatility in the net asset value of the Ordinary Shares in that a relatively small movement, whether down or up, in the value of the Group's total assets will result in a magnified movement in the same direction in the net asset value.

## Illustrative returns

The table below illustrates the Redemption Yields, Projected Asset Values and Net Present Values for an investor who acquires New Ordinary Shares in the Placing or Open Offer at the issue price of 136p per share and retains them until the 2008 ZDP Repayment Date. This date provides a convenient point for calculating these illustrative statistics, which are based on a purely notional assumption that such shares (which are in fact of indefinite duration) are redeemed at net asset value on that date. The illustrations assume a range of income and capital growth rates in the Abpref investment portfolio, and are otherwise prepared on the basis of the Assumptions.

### ILLUSTRATIVE FINANCIAL EFFECTS ON THE NEW ORDINARY SHARES OF DIFFERENT INCOME AND CAPITAL GROWTH RATES IN ABPREF'S INVESTMENT PORTFOLIO (see note (i))

<b>Investment portfolio growth (%pa)<sup>(i)</sup></b>	<b>0</b>	<b>2.5</b>	<b>5.0</b>	<b>7.5</b>	<b>10</b>
RY% <sup>(ii)</sup>	8.3	13.0	17.3	21.1	24.8
PAV (p)	50	92	143	202	273
NPV (p) <sup>(iii)</sup>	132	162	197	238	285

#### Notes

- (i) the growth rates in the table apply to all of Abpref's investments except for the UK convertibles and bonds portfolio and the euro-denominated fixed interest portfolio whose income and capital are assumed to grow at a fixed rate of 2 per cent. per annum.
- (ii) on the issue price of 136p.
- (iii) using a discount rate of 9 per cent. per annum.
- (iv) the Redemption Yields and Net Present Values in the above table are calculated as at 7 November 2000. The Redemption Yields, Projected Asset Values and Net Present Values are for illustrative purposes only, are based on the Assumptions and do not constitute forecasts.

## General

Ordinary Shareholders have the right to attend and vote at general meetings and on a show of hands have one vote and on a poll have one vote in respect of every Ordinary Share held.

The New Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares save that the New Ordinary Shares will not rank for the second or the third interim dividends referred to in the table on page 10 above.

## **2008 ZDP Shares**

The 2008 ZDP Shares will rank behind the 2003 ZDP Shares which are due to receive their final capital entitlement of 318p on 31 March 2003. The 2008 ZDP Shares offer holders a predetermined rate of capital growth but no entitlement to income. Each 2008 ZDP Share entitles the holder to receive 199p as at 31 October 2008. At the issue price of 100p, assumed to be payable on 7 November 2000, this is equal to a Redemption Yield of 9 per cent. per annum.

On the basis of the Assumptions, Abpref's bank borrowings and the RPI-Linked Debenture, together with the final entitlement of the 2008 ZDP Shares and the net costs expected to be charged to capital account over the period to repayment, will be covered 2.24 times by the Group's total assets immediately following implementation of the Proposals. In the event that Abpref Securities were to be wound up on the 2003 ZDP Repayment Date (which is not the intention of the Directors but could happen as a last resort either if no satisfactory alternative method of repayment of the 2003 ZDP Shares were available, or if a significant part of the 2003 ZDP Shares were not refinanced in 2003 as stated in the Assumptions), cover on the same basis (but including both the 2003 ZDP Shares and the 2008 ZDP Shares at their respective entitlements on the 2003 ZDP Repayment Date) would be 1.57 times.

The 2008 ZDP Shares, like the existing 2003 ZDP Shares, will not normally entitle their holders to vote at general meetings of Abpref Securities. The full rights of the 2008 ZDP Shares are detailed in the notice of the Abpref Securities EGM at the end of this document.

## **REDUCTION OF SHARE PREMIUM ACCOUNT**

Abpref is an investment company within the meaning of section 266 of the Act which means broadly that, subject to compliance with certain conditions, it is able to pay dividends out of its revenue profits notwithstanding any deficit on capital reserves. One of those conditions, however, is that at the time of any proposed dividend the amount of its assets must be at least equal to one and a half times the amount of its liabilities. This test is applied to Abpref rather than the Group as a whole; and the test is more onerous with a two-company structure such as the Group's, because Abpref's obligations in respect of the ZDP Shares are treated as liabilities (which would not be the case with a single company structure).

If Abpref is unable to satisfy the conditions for making distributions as an investment company, it is still able to pay dividends if it can comply with the "normal" rules relating to distributable profits, which require any deficit on capital reserves to be taken into account. The Directors are proposing to reduce the share premium account of Abpref to £15 million, which would establish a special reserve which can for this purpose be treated as a distributable profit. The special reserve is not intended to be applied in paying dividends but will be available to be set off against any deficit from time to time on Abpref's capital reserves, thus enabling dividends to be paid out of Abpref's revenue reserves.

The proposed reduction of the share premium account will, on the basis of the Assumptions, amount to approximately £180 million, and should ensure that Abpref's dividend-paying ability remains unimpaired even in very adverse investment conditions. The reduction requires the approval of Ordinary Shareholders and the sanction of the Court, and a resolution to approve the reduction is to be proposed at the Abpref EGM.

## **AMENDMENT TO THE TERMS OF THE LOAN NOTES**

The Loan Notes bear interest at rates varying between 6.58 and 7.22 per cent. Abpref Securities receives interest from Abpref on the Loan Notes and effectively repays a similar sum to Abpref by way of dividend. The Group has been advised that these arrangements, which are an administrative inconvenience, are no longer necessary for the efficient operation of the Group and the Directors wish to amend the terms of the Loan Notes so that they will cease to bear interest.

Under the terms of the articles of association of Abpref Securities, Abpref Securities may not make any material amendment to the terms of the Loan Notes without the sanction of an extraordinary resolution of the holders of the 2003 ZDP Shares passed at a separate general meeting of such holders, and a resolution giving this sanction will be proposed at the Separate General Meeting.

## **INTERIM RESULTS**

The unaudited interim results of the Group for the six months ended 31 August 2000 were announced today. The text of the announcement, including my Chairman's statement, is set out in Part IV below.

## **ABERDEEN SAVINGS PLANS**

Participants in the Aberdeen Savings Plans at the Record Date will receive a copy of this document and will be entitled to apply for New Shares in the Open Offer in their own right. Participants will also receive a Letter of Direction instructing Henderson Nominees Limited, as the registered holder of their existing Shares, to vote at the relevant Meetings.

The Application Forms for participants in the Aberdeen Savings Plans are colour-coded as follows:

Aberdeen Investment Trust ISA	-	Ordinary Shares	- green
Aberdeen Investment Trust ISA	-	ZDP Shares	- red
Aberdeen Investment Trust PEP	-	Ordinary Shares	- pink
Aberdeen Investment Trust PEP	-	ZDP Shares	- purple
Aberdeen Investment Trust Share Plan	-	Ordinary Shares	- yellow
Aberdeen Investment Trust Share Plan	-	ZDP Shares	- orange

Participants will also receive Letters of Direction. Participants holding Ordinary Shares will receive a white Letter of Direction. Participants holding 2003 ZDP Shares will receive a blue Letter of Direction **and** a blue Letter of Direction with a black triangle in the top right hand corner.

These forms and letters should be dealt with in accordance with "Action to be taken" below.

Participants in the Aberdeen Investment Trust ISA and PEP who apply for New Shares in the Open Offer should note that their New Shares cannot be held within their ISA or PEP. New Shares will be allotted directly to participants.

Participants in the Aberdeen Investment Trust Share Plan who apply for New Shares in the Open Offer will have their New Shares allotted to and registered in the name of Henderson Nominees Limited as their nominee under the Plan, unless they make a written request for direct registration.

## **OTHER INDIVIDUAL SAVINGS ACCOUNTS ("ISAs") AND PERSONAL EQUITY PLANS ("PEPs")**

Under current legislation the New Shares will qualify for inclusion in an ISA or a PEP subject to the applicable subscription limits, where such shares are acquired by an account manager by purchase in the market.

An account manager of an ISA or a PEP who holds Ordinary Shares or 2003 ZDP Shares can acquire, respectively New Ordinary Shares or 2008 ZDP Shares from cash held within the ISA or the PEP pursuant to the Open Offer. Investors in ISAs may make available cash in excess of the maximum subscription limit for ISAs to enable the plan manager to take up the Open Offer provided the investments purchased with the excess are immediately transferred to the investors to hold outside the ISA. Investors in PEPs may make available cash to enable the plan manager to take up the Open Offer provided the investments purchased with such cash are immediately transferred to the investors to hold outside the PEP.

Members of ISAs and PEPs, other than the Aberdeen Investment Trust ISA and the Aberdeen Investment Trust PEP, who receive a copy of this document from their ISA or PEP plan managers should consult their ISA or PEP plan manager if they wish to apply for New Shares or to vote at the relevant Meetings.

## **RISK FACTORS**

Investors contemplating an investment in the New Shares should recognise that their market value and, in the case of the New Ordinary Shares, income derived from such shares can fluctuate and that the market value may not reflect their underlying net asset value. There is no guarantee that Abpref's investment objectives will be achieved and the past performance of Abpref is not necessarily a guide to its future performance. The financial projections and dividend forecasts in this Part I are based on the Assumptions, which are assumptions only and may or may not be realised. The Assumptions and financial projections (which are for illustrative purposes only) should not be regarded as forecasts.

Other risk factors relevant to the New Shares include the following:

### ***2008 ZDP Shares***

The 2008 ZDP Shares will rank for repayment after the borrowings and other liabilities of Abpref and after the 2003 ZDP Shares but before the capital entitlements of the Ordinary Shareholders.

On the basis of the Assumptions, a fall of more than 63 per cent. in Abpref's total assets over the period from Admission to the 2008 ZDP Repayment Date would result in a payment lower than the final capital entitlement of 199p per 2008 ZDP share.

The market value of the 2008 ZDP Shares will be affected by changes in general interest rates, with upward movements in interest rates likely to lead to a reduction in such market value.

#### *New Ordinary Shares*

If market prices rise significantly between the date of this document and the completion of the Placing and Open Offer, the potential returns available to holders of the New Ordinary Shares may be less than would otherwise be achievable due to an inability to achieve the assumed portfolio yields.

Dividend growth on the New Ordinary Shares depends upon dividend growth from the underlying investments and there being no adverse change in the current tax regime. Dividend reductions by companies within the portfolio could result in a reduced yield on the New Ordinary Shares.

The Ordinary Shares rank after the RPI-Linked Debenture, bank borrowings, ZDP Shares and subordinated loan stock to participate in Abpref's assets on a winding up. This use of gearing is likely to lead to volatility in the net asset value of the Ordinary Shares in that a relatively small movement in the value of Abpref's total assets results in a magnified movement, potentially unfavourable as well as favourable, in such net asset values.

The highly geared nature of geared ordinary and other income shares of investment trusts in the Income Share Portfolio is likely to result in movements in the prices of such shares being magnified compared to movements in the UK stock market generally.

On the basis of the Assumptions (which include an assumption that growth in the UK convertibles and bonds portfolio and the euro fixed interest portfolio is fixed at 2 per cent. per annum) Abpref must achieve a compound growth rate in its other investment portfolios of not less than 4.7 per cent. per annum in the period from Admission becoming effective up to the 2008 ZDP Repayment Date in order for the Projected Asset Value of a New Ordinary Share to equal the issue price of 136p. This equates to approximately 3.9 per cent. per annum on Abpref's total assets.

#### *General*

The market prices of fixed interest stocks and, to a lesser extent, convertibles and investment trust income shares (including the New Ordinary Shares) will be affected by changes in interest rates.

In certain circumstances, including breach of financial covenants, Abpref's bank borrowings may be repayable prior to the date on which they would otherwise fall due for repayment. In such circumstances, assets may have to be sold at depressed prices to repay borrowings and termination costs may be incurred under any related interest rate swap agreement.

Upward movements in interest rates or change to market expectations regarding the RPI or other economic statistics before any fixing of interest rates on the New Bank Loan may, under certain conditions, affect the ability of Abpref to achieve its investment objectives. In particular, at or after the time of drawdown of the New Bank Loan, the applicable interest rates may be higher than the interest rates stated in paragraph 7 of the Assumptions. The interest payable on £131 million of the New Bank Loan will not be determined until the New Bank Loan is drawn down, which is expected to be around 7 November 2000. Movements in interest rates before that date may affect the return on the New Ordinary Shares.

Although Abpref's euro-denominated assets and euro-denominated liabilities will be approximately equal in size at the time of investment, movements in the capital value of the euro-denominated assets may create an inequality thereafter. Such movements may give rise to either a shortfall or surplus of euro-denominated assets available to repay the euro-denominated liabilities. The sterling value of such a shortfall or surplus, as well as the sterling value of euro-denominated net income, will be exposed to movements, favourable as well as unfavourable, in the exchange rate between sterling and the euro.

Any marked increase in the RPI in the period to 31 March 2007 could give rise to Abpref paying in respect of the RPI-Linked Debenture Stock a greater rate of interest than with fixed-interest borrowing as well as a greater repayment of principal than originally contemplated by the Directors.

The 2003 ZDP Shares are repayable on 31 March 2003. If Abpref cannot replace this gearing on acceptable terms the ability of Abpref to achieve its investment objectives would be affected. In such circumstances the Directors would consider proposing that Abpref be wound up and such winding-up may be effected without the sanction of the 2008 ZDP Shareholders.

## **THE MEETINGS**

### *Abpref EGM*

The approval of Ordinary Shareholders is being sought at the Abpref EGM to grant the Directors authority pursuant to section 80 of the Act to allot relevant securities pursuant to the Placing and Open Offer and otherwise at the Directors' discretion, to disapply pre-emption rights and to reduce the share premium account of Abpref. The Directors do not at present have any intention to use the authority to allot shares otherwise than in connection with the Placing and Open Offer.

### *Abpref Securities EGM*

The approval of shareholders of Abpref Securities is being sought at the Abpref Securities EGM to reduce the authorised share capital of Abpref Securities by the cancellation of 283,656,209 authorised but unissued 2003 ZDP Shares as the Directors have no plans to issue any further 2003 ZDP Shares. Approval is also being sought to increase the authorised share capital of Abpref Securities by the creation of 158,656,209 2008 ZDP Shares and to grant the Directors authority pursuant to section 80 of the Act to allot relevant securities pursuant to the Placing and Open Offer and otherwise at the Directors' discretion. The Directors do not at present have any intention to use their authority to allot shares otherwise than in connection with the Placing and Open Offer.

In order to issue the 2008 ZDP Shares it will be necessary to alter the articles of association of Abpref Securities to provide for the rights attaching to the 2008 ZDP Shares and, as described under "The undating of Abpref Securities" above, to remove the requirement for the Directors to convene an extraordinary general meeting to wind up Abpref Securities in 2003. The full terms of the proposed amendments are set out in the notice of the Abpref Securities EGM set out at the end of this document

### *Separate General Meeting*

The sanction of an extraordinary resolution of the holders of 2003 ZDP Shares passed at a separate general meeting of such holders is required for amendments to the terms of the Loan Notes, for any amendment to article 3A of Abpref Securities' articles of association ("Voluntary Winding-up of the Company") or to in any way vary the rights attached to the 2003 ZDP Shares. Consequently the sanction of the holders of the 2003 ZDP Shares is being sought at the Separate General Meeting in order to effect the undating of Abpref Securities and the amendment of the Loan Notes. The implementation of the Proposals so far as they relate to the issue of New Ordinary Shares, reduction of the Abpref share premium account, change in investment policy and entering into the New Bank Loan, is not conditional on the approval of ZDP Shareholders.

## **ACTION TO BE TAKEN**

### **Meetings**

#### *Ordinary Shareholders*

A white form of proxy is enclosed for use at the Abpref EGM. Ordinary Shareholders are requested to complete the form and return it to the Company's registrars, Lloyds TSB Registrars Scotland so as to be received as soon as possible but in any event not later than 10.00 a.m. on 1 November 2000.

#### *ZDP Shareholders*

A blue form of proxy for use at the Abpref Securities EGM and a blue form of proxy (with a black triangle in the top right hand corner) for use at the Separate General Meeting are enclosed. ZDP Shareholders are requested to complete these forms and return them to Lloyds TSB Registrars Scotland so as to be received as soon as possible but in any event no later than 10.02 a.m. or 10.04 a.m. respectively on 1 November 2000.

The completion and return of a form of proxy will not preclude you from attending the meeting and voting in person, if you so wish.

The quorum for the Separate General Meeting is at least two holders of 2003 ZDP Shares present in person or by proxy representing at least one third of the nominal amount of the issued shares of that class. ZDP Shareholders are therefore urged to complete and return the blue form of proxy (with a black triangle in the top right hand corner) in order to ensure that the requisite quorum is achieved for the Separate General Meeting. In the event that a quorum is not achieved the meeting will be adjourned to the same time and place on 10 November 2000. The quorum for any such adjourned meeting is any one holder of 2003 ZDP Shares present in person or by proxy.

#### *Aberdeen Investment Trust ISA participants*

Participants in the Aberdeen Investment Trust ISA may instruct Henderson Nominees Limited to vote on their behalf at the relevant Meetings in respect of the Shares which such nominee holds on their behalf by completing the white Letter of Direction in respect of Ordinary Shares and **both** blue Letters of Direction in respect of 2003 ZDP Shares. You are requested to complete these letters and return them in accordance with the instructions printed thereon so as to be received no later than 3.00 p.m. on 27 October 2000.

#### *Aberdeen Investment Trust PEP participants*

Participants in the Aberdeen Investment Trust PEP may instruct Henderson Nominees Limited to vote on their behalf at the relevant Meetings in respect of the Shares which such nominee holds on their behalf by completing the white Letter of Direction in respect of Ordinary Shares and **both** blue Letters of Direction in respect of 2003 ZDP Shares. You are requested to complete these letters and return them in accordance with the instructions printed thereon so as to be received no later than 3.00 p.m. on 27 October 2000.

#### *Aberdeen Investment Trust Share Plan participants*

Participants in the Aberdeen Investment Trust Share Plan may instruct Henderson Nominees Limited to vote on their behalf at the relevant Meetings in respect of the Shares which such nominee holds on their behalf by completing the white Letter of Direction in respect of Ordinary Shares and **both** blue Letters of Direction in respect of 2003 ZDP Shares. You are requested to complete these letters and return them in accordance with the instructions printed thereon so as to be received no later than 3.00 p.m. on 27 October 2000.

### **Open Offer**

Qualifying Shareholders will find enclosed with this document the appropriate Application Forms, which are colour-coded as follows:

Ordinary Shareholders	white
2003 ZDP Shareholders	blue
Aberdeen Investment Trust ISA participants holding:	
Ordinary Shares	green
2003 ZDP Shares	red
Aberdeen Investment Trust PEP participants holding:	
Ordinary Shares	pink
2003 ZDP Shares	purple
Aberdeen Investment Trust Share Plan participants holding:	
Ordinary Shares	yellow
2003 ZDP Shares	orange

If Qualifying Shareholders wish to apply for New Shares, they should complete the relevant Application Form(s) in accordance with the instructions thereon and return it/them, together with the appropriate remittance, by post or by hand during normal business hours to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA or by hand only, during normal business hours, to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL to be received as soon as possible and, in any event, no later than 3.00 p.m. on 27 October 2000 for participants in the Aberdeen Savings Plans and otherwise no later than 3.00 p.m. on 31 October 2000, at which time the Open Offer will close.



**RECOMMENDATION**

The Board, which has been advised by Brewin Dolphin Securities, considers that the Proposals are in the best interests of the Shareholders as a whole. Accordingly, the Directors recommend that you vote in favour of the Resolutions set out in the relevant notices of Meetings, as they intend to do in respect of their own beneficial holdings of Ordinary Shares.

Yours sincerely

D. W. C. Morgan  
*Chairman*

## PART II



### BREWIN DOLPHIN SECURITIES LIMITED

5 Giltspur Street, London EC1A 9BD

To Qualifying Shareholders

10 October 2000

Dear Sir or Madam

As explained in the letter from your Chairman in Part I of this document, the Abpref Group is proposing to raise up to approximately £67 million before expenses by the issue of up to 41,227,049 New Ordinary Shares and up to 10,085,948 2008 ZDP Shares. We, Brewin Dolphin Securities, have agreed to use our reasonable endeavours to place such New Ordinary Shares and 2008 ZDP Shares conditionally, subject to clawback in order to satisfy valid applications from Qualifying Shareholders under the Open Offer.

This letter and the enclosed Application Forms contain the formal terms and conditions of the Open Offer.

#### THE OPEN OFFER

Brewin Dolphin Securities hereby invites Qualifying Shareholders to apply to subscribe, on and subject to the terms and conditions set out herein and in the enclosed Application Form(s), for a total of 41,227,049 New Ordinary Shares at 136p per share and/or a total of 10,085,948 2008 ZDP Shares at 100p per share (as appropriate), free of all expenses and payable in cash in full on application.

Qualifying Shareholders may apply for any whole number of New Ordinary Shares or 2008 ZDP Shares (as the case may be) up to or in excess of their *pro rata* entitlement of:

8 New Ordinary Shares      for every 25 existing Ordinary Shares held at the Record Date

1 2008 ZDP Share              for every 4 2003 ZDP Shares held at the Record Date

and so in proportion for any other number of Shares of the relevant class then held.

The New Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares save that the New Ordinary Shares will not rank for the second or third interim dividends expected to be paid in November 2000 and January 2001 respectively. The 2008 ZDP Shares will have the rights set out in the articles of association of Abpref Securities as amended by the Resolution to be proposed at the Abpref Securities EGM and will rank for repayment after the 2003 ZDP Shares.

Applications may be made for any number of New Ordinary Shares or 2008 ZDP Shares (as appropriate) in excess of a Qualifying Shareholder's *pro rata* entitlement and will be satisfied to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their *pro rata* entitlements. If there is an over subscription resulting from excess applications, allocations in respect of such excess applications will be made *pro rata* according to the number of Shares of the relevant class held by each applicant.

You may apply to subscribe for less than your *pro rata* entitlement to New Shares if you so wish.

Holdings of Shares in certificated and uncertificated form will be treated as separate holdings for the purpose of calculating entitlements under the Open Offer. There will be no entitlement to fractions of New Shares, which will be aggregated and may be taken up by places pursuant to the Placing.

The Open Offer of New Ordinary Shares is subject *inter alia* to satisfaction of the following conditions not later than 13 November 2000, or such later date (being not later than 30 November 2000) as Abpref and Brewin Dolphin Securities may agree:

- (i) the passing of the special resolution at the Abpref EGM (or at any adjournments thereof);
- (ii) the Placing Agreement becoming unconditional in all respects and not being terminated in accordance with its terms;

- (iii) a satisfactory definitive loan agreement being entered into with the Bank prior to Admission; and
- (iv) Admission of the New Ordinary Shares becoming effective.

The Open Offer of 2008 ZDP Shares is subject, *inter alia*, to satisfaction of the conditions set out above and, additionally, to the passing of the special resolution at the Abpref Securities EGM and the passing of the extraordinary resolution at the Separate General Meeting (or at any adjournments thereof).

The Open Offer is made by Brewin Dolphin Securities on behalf of and as agent for Abpref (in respect of the New Ordinary Shares) and Abpref Securities (in respect of the 2008 ZDP Shares).

#### PROCEDURE FOR APPLICATION UNDER THE OPEN OFFER

The Application Form(s) enclosed with this document show(s) the number of Shares registered in your name, or attributable to you, at the Record Date and also show the *pro rata* entitlement to New Shares attributable to your holding under the Open Offer. Valid applications up to your *pro rata* entitlement will be accepted in full. Valid applications for more than your *pro rata* entitlement will be accepted in full up to your *pro rata* entitlement, and beyond that to the extent that other New Shares become available as described above.

**Qualifying Shareholders should be aware that in the Open Offer, unlike a rights issue, New Shares not applied for will not be sold in the market for the benefit of those Qualifying Shareholders who do not apply but may instead be taken up at the relevant issue price by other Qualifying Shareholders or by placees pursuant to the Placing.**

If you wish to apply for New Ordinary Shares or 2008 ZDP Shares under the Open Offer you should complete the relevant enclosed Application Form(s) in accordance with the instructions thereon and return it/them, together with the appropriate remittance, by post or by hand during normal business hours to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA or by hand only during normal business hours to Lloyds TSB Registrars, Antholin House, 71 Queen Street, London EC4N 1SL so as to be received no later than 3.00 p.m. on 31 October 2000, at which time the Open Offer will close. Qualifying Shareholders who do not wish to apply for any New Shares should not complete or return the Application Form(s). Participants in the Aberdeen Savings Plans should return their Application Form(s) by 3.00 p.m. on 27 October 2000.

Applications to subscribe for New Shares, which will be irrevocable and will not be acknowledged, may be made only on the enclosed Application Form(s), which are personal to the Qualifying Shareholder(s) named thereon and may not be assigned or transferred (except to satisfy *bona fide* market claims pursuant to the rules of the London Stock Exchange). The Application Form(s) represent a right to apply for New Shares, are not documents of title and cannot be traded. **Qualifying Shareholders who have sold all or part of their registered holding(s) of Shares prior to 10 October 2000 are advised to consult their stockbroker or other financial adviser as soon as possible, since an invitation to acquire New Shares may represent a benefit which can be claimed from them by purchasers under the rules of the London Stock Exchange.**

All payments must be made by cheque or banker's draft in pounds sterling drawn on a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man, which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and banker's drafts to be cleared through the facilities provided for the members of either of those companies and must bear the appropriate sorting code in the top right-hand corner. Any application which does not comply with these requirements may be treated as invalid.

Each Application Form must be accompanied by a separate cheque or banker's draft. Cheques or banker's drafts in respect of New Ordinary Shares should be made payable to "Lloyds TSB Bank plc a/c Aberdeen Preferred Income Trust PLC" and in respect of 2008 ZDP Shares should be made payable to "Lloyds TSB Bank plc a/c Aberdeen Preferred Securities PLC" and in both cases should be crossed "A/C payee only". Any interest earned on payments made will be retained for the benefit of Abpref or Abpref Securities as applicable.

Cheques may be presented on receipt and Abpref and Abpref Securities reserve the right to instruct Lloyds TSB Registrars to seek special clearance of cheques to allow Abpref and/or Abpref Securities (as applicable) to obtain value for remittances at the earliest opportunity. Any person returning an Application Form with a remittance in the form of a cheque thereby warrants that the cheque will be honoured on first presentation. When cheques or banker's drafts are presented for payment before the conditions of the Open Offer are fulfilled the monies will be kept in separate bank accounts. In the event that the Open Offer

does not become unconditional by 13 November 2000, or such later date as Abpref and Brewin Dolphin Securities may agree (not being later than 30 November 2000), all application monies will be returned to the applicants as soon as practicable thereafter. The interest earned on monies held in the separate bank account will be retained for the benefit of Abpref or Abpref Securities as applicable.

Abpref or Abpref Securities (as applicable) may, at its sole discretion, treat an application as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions, if received after 3.00 p.m. on 31 October 2000 (or after 27 October 2000 in the case of participants in the Aberdeen Savings Plans) or if not accompanied by a valid power of attorney where required.

All enquiries in connection with the procedure for application and completion of the Application Forms should be addressed to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA (telephone: 0870 600 0632).

#### **MONEY LAUNDERING REGULATIONS**

If the value of your application exceeds €15,000 (currently approximately £9,000) (or is one of a series of linked applications, for which purpose applications for New Ordinary Shares will be aggregated with applications for 2008 ZDP Shares and *vice versa*, the aggregate value of which exceeds £9,000) the verification of identity requirements of the Money Laundering Regulations 1993 (the "Money Laundering Regulations") will apply. Lloyds TSB Registrars is entitled to require, at its absolute discretion, verification of identity from any person lodging an application, including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the applicant or (ii) appears to Lloyds TSB Registrars to be acting on behalf of some other person. Submission of an application will be deemed to constitute an irrevocable warranty and undertaking by the applicant to provide promptly to Lloyds TSB Registrars such information as may be specified by Lloyds TSB Registrars as being required for the purpose of the Money Laundering Regulations. Pending the provision of evidence satisfactory to Lloyds TSB Registrars as to identity, Lloyds TSB Registrars may in its absolute discretion retain an application lodged by an applicant for New Shares and/or the cheque or other remittance relating thereto and/or not enter the New Shares to which it relates in the register of members or issue any share certificate and/or not credit the relevant CREST account in respect of them. In order to avoid this, if the value (at the issue price) of the New Shares for which you are applying exceeds £9,000 (or is one of a series of linked applications, the aggregate value of which exceeds £9,000), payment should be made by means of a cheque drawn by the person named in the Application Forms (or one of the joint applicants). If this is not practicable and you use a cheque drawn by a third party (for example, a building society cheque or banker's draft) you should:

- (i) write the name, address and date of birth of the person named in the Application Form (or one of the joint applicants) on the back of the cheque, building society cheque or banker's draft;
- (ii) if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque or banker's draft the name and account number of the person whose building society or bank account is being debited; and
- (iii) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status. If you are not a UK or EC regulated person or institution then, irrespective of value, Lloyds TSB Registrars is obliged to take reasonable steps to establish the identity of the person or persons on whose behalf you are making the application. You should therefore contact Lloyds TSB Registrars at The Causeway, Worthing, West Sussex BN99 6DA, (telephone: 0870 600 0632).

If you deliver your Application Form(s) personally by hand, you should ensure that you have with you evidence of identity bearing your photograph (e.g. your passport).

In relation to any application in respect of which the necessary verification of the identity of the applicant or the person on whose behalf the applicant appears to be acting has not been received on or before the latest application date (or such later date as Brewin Dolphin Securities may in its absolute discretion determine) Abpref or Abpref Securities (as applicable) may, at its absolute discretion, elect to treat the relevant application as invalid and/or delay allotting the relevant number of New Shares until the necessary verification has been provided. Any such election shall be without prejudice to the right of Abpref or Abpref Securities (as applicable) to take proceedings to recover any loss suffered by it as a result of failure to provide satisfactory evidence. In such event the application monies (without interest) will be returned to the bank or building society account from which payment was made.

#### CAPITAL GAINS TAX

For the purposes of United Kingdom capital gains tax the issue of New Shares up to and including a Qualifying Shareholder's *pro rata* entitlement will be regarded as a reorganisation of the issuing company's share capital. No liability to United Kingdom taxation on capital gains will arise solely by reason of a Qualifying Shareholder applying for New Shares.

New Shares issued to a Qualifying Shareholder pursuant to the Open Offer, up to and including his *pro rata* entitlement, will be treated as the same asset as his holding of existing Shares in respect of which they are issued and acquired at the same time as he acquired his existing Shares and the amount paid for his New Shares will be added to the allowable expenditure for his existing holding(s). Any New Shares issued to a Qualifying Shareholder in excess of his *pro rata* entitlement will be treated as a new holding for the purposes of capital gains tax.

#### SETTLEMENT AND DEALINGS

Application has been made to the UK Listing Authority for the New Shares to be admitted to the Official List. Dealings in the New Shares are expected to commence on 7 November 2000, subject to the conditions of the Open Offer being satisfied by that time. For those Qualifying Shareholders who do not hold their existing Shares in CREST, definitive certificates for the New Ordinary Shares and 2008 ZDP Shares are expected to be dispatched on 7 November 2000. For those Qualifying Shareholders who hold their existing Shares in CREST, the New Shares are expected to be credited to their stock account on 7 November 2000. In the event of scaling-down of excess applications under the Open Offer, excess application monies are expected to be returned, without interest, by cheque on 7 November 2000.

If the Separate General Meeting is adjourned for want of a quorum, the references to 7 November in the paragraph above will be to 13 November.

Notwithstanding any other provision of this document, Abpref and Abpref Securities reserve the right to issue any New Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Group's registrars in connection with CREST. This right may also be exercised if the correct details (such as participant ID and member account ID details) are not provided as requested on the Application Form in respect of *bona fide* market claims. No temporary documents of title will be issued and, pending dispatch of share certificates, transfers will be certified against the register. All documents or remittances sent by or to an applicant, or as directed by the registered holder, will be sent by first class post and shall be entirely at his or her own risk.

#### OVERSEAS SHAREHOLDERS

No person receiving a copy of this document or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form, unless in the relevant territory, such an invitation or offer could lawfully be made to him and such Application Form could lawfully be used without contravention of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consent (for example, exchange control consent), observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory. Each of Abpref and Abpref Securities reserves the right, in its absolute discretion, to treat the Open Offer as having been declined in a particular case if it believes acceptance may violate applicable legal or regulatory requirements.

Yours faithfully  
For Brewin Dolphin Securities Limited

F. K. Malcolm  
Director

## PART III

### PRINCIPAL BASES AND ASSUMPTIONS

Save where as otherwise stated, the dividend forecasts by the Directors and other relevant information and statistics in Part I of this document have been made or calculated on the basis of the following principal bases and assumptions:

1. That the Placing and Open Offer become effective on 7 November 2000 and result in the issue of 40,000,000 Ordinary Shares at 136p per share and 10,000,000 2008 ZDP Shares at 100p per share; and that all cash proceeds are received by the Group on that date.
2. That the expenses (including irrecoverable VAT) relating to the implementation of the Proposals are approximately £2.4 million, are borne by Abpref and are charged to capital account.
3. That the total assets (excluding current period revenue) of the Group are £366.7 million and remain unchanged until 7 November 2000, the date on which dealings in the New Shares are expected to commence.
4. That UK dividend income received by Abpref does not include a tax credit of benefit to Abpref; that the standard rate of corporation tax payable by Abpref remains at 30 per cent.; that no corporation tax on chargeable gains will be payable by the Group; and that no other changes occur in relevant taxation law and practice.
5. That (excluding management fees and interest payable) the annual running expenses of the Group (including irrecoverable VAT thereon) are approximately £860,000, are charged to revenue account and increase monthly at the same rate per annum as the increase in the RPI.
6. That the terms of the management agreements between the Group and the Manager are not amended prior to 1 November 2008; that 60 per cent. of the management fees (and the irrecoverable VAT thereon) and of the interest payable by the Group is charged to revenue account and 40 per cent. to capital account.
7. That Abpref's bank borrowings are increased to £131 million as at 7 November 2000 of which £81 million is denominated in sterling and bears interest at 7 per cent. per annum and £50 million is denominated in euros and bears interest at 6.24 per cent. per annum.
8. That all expenses are charged on a monthly basis.
9. That the Group's assets comprise the following portfolios having the characteristics stated:

	<i>Income Share Portfolio</i>		<i>UK equities and preference shares</i>		<i>UK convertibles and bonds</i>	<i>Euro fixed interest</i>
	<i>(UK)</i>	<i>(Offshore)</i>				
Percentage of assets (%)	55	7	8	20	10	
Capital growth (% p.a.)	5*	5*	5*	2	2	
Revenue growth (% p.a.)	5*	5*	5*	2	2	
Initial net yield (%)	9.9	11.0	4.5	9.6	10.0	
Income type	Franked	Unfranked	Franked	Unfranked	Unfranked	

*\* Capital and revenue growth in the Income Share Portfolio and the UK equities and preference share portfolio are varied from 0-10 per cent. for the purpose of the illustrative return statistics in the tables in Part I of this document.*

10. That approximately 95 per cent. of the net revenue available for distribution in each year is distributed.
11. That the pre-determined capital growth of the 2003 ZDP Shares and the 2008 ZDP Shares, and the RPI-linked uplift in respect of the repayment of the RPI-Linked Debenture, are charged 100 per cent. to capital account.
12. That on 31 March 2003, the 2003 ZDP Shares are refinanced by a new issue of zero dividend preference shares with the same daily accrual rate (equivalent to approximately 8.3 per cent. per annum) as the 2003 ZDP Shares, with a repayment date not earlier than 31 October 2008 and ranking

after the 2008 ZDP Shares; and that Abpref replaces the RPI-linked Debenture and those bank borrowings which are due for repayment on or before 31 October 2008 on the same respective terms.

13. That, other than described in paragraph 12 above, the Group does not issue any further shares or securities following the completion of the Proposals.
14. That the rate of growth in the RPI is 3 per cent. per annum.
15. That there are no changes in exchange rates between sterling and other currencies.
16. That the repayment of the 2008 ZDP Shares on 31 October 2008 does not involve any significant expenses, or, except for the payment of the amounts due in respect of the 2008 ZDP Shares and any ZDP Shares issued to refinance the 2003 ZDP Shares, otherwise reduce the assets of the Group.
17. That the Redemption Yields and Net Present Values of the Ordinary Shares are calculated on a monthly compounded basis and the Redemption Yields of the Ordinary Shares are then expressed as equivalent annual compound rates; that the Redemption Yield of the 2008 ZDP Shares is calculated on the basis of the number of elapsed days from 7 November 2000 to 31 October 2008 (the 2008 ZDP Repayment Date) and expressed as an annual rate; and that Net Present Values are calculated on a discount rate of 9 per cent.

## **PART IV**

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2000**

The following is the text of part of an announcement made on behalf of Abpref on 10 October 2000:

“

#### **ABERDEEN PREFERRED INCOME TRUST PLC ANNOUNCEMENT OF UNAUDITED GROUP INTERIM RESULTS for the six months ended 31 August 2000**

##### **Chairman's Statement**

The Company has met its dividend target, with a second interim dividend declared on 19 September 2000 of 4.4p net per share (1999/2000 second interim – 4.4p) making a total for the first half of 8.8p net per share (1999/2000 – 8.4p), a rise of 4.8 per cent. This second interim dividend is payable on 17 November 2000 to shareholders on the register on 29 September 2000. Over the period the net asset value of the Ordinary Shares has risen to 117.67p from 114.52p on 28 February 2000, an increase of 2.8 per cent. The Directors have also declared a third interim dividend of 4.4p per share (1999/2000 third interim – 4.4p) payable on 18 January 2001 to shareholders on the register on 3 November 2000.

The first half of the Company's year was dominated by the prevailing, and expected, level of interest rates. In the UK there was little overall change in yields on medium and long-dated Government bonds. The strong rises in UK short term interest rates seen in the previous six months were less marked with base rates unchanged since the end of February, with interest focused on whether any further rises would prove necessary. Longer dated bonds drew comfort from pre-emptive action by central banks, the relatively benign inflation background and the light supply as Government deficits progressed to surplus in the US and UK.

Corporate bond markets, in contrast to Government bonds, were subjected to considerable oversupply. This has led to significant widening in their spread relationship to Government bonds particularly in the last few months. Investment grade spreads are on average more than 35 basis points wider than a year ago.

Equities in the UK performed well over the period, and this trend has continued, with most indices posting returns in excess of 6 per cent. since the end of August. Despite this convertible stocks have produced a very mixed performance, with take-over and other corporate activity being the most beneficial factors in this sector of the market.

Income shares fell slightly over the period; having outperformed initially they failed to participate in the equity rally in July and August. The strong performance of their underlying equity investments has served to make their hurdle rates less demanding. During the period we continued the diversification of our income share portfolio through increased investment in companies with significant international exposure.

The Manager believes that there remains relative value in corporate bonds and that the peak in short term interest rates is not likely to be far from current levels, at least in the UK. Central bank policy is managing to provide the correct background for sustainable growth levels despite earlier fears in some quarters of a hard landing in the US. While inflation levels in most countries have increased somewhat, there are few signs of a return to the figures witnessed in previous cycles. Although UK Government bonds have little scope for any substantial reduction in yield there are excellent returns to be obtained in the corporate bond markets, where outstanding real value can be achieved in both investment grade and higher yielding securities. Opportunities are rarer in the convertible market but volatile share prices could provide prospects for investment in this sector. At current levels the Euro is again looking undervalued and the rapidly expanding bond market in this currency is likely to throw up some of the better opportunities in the periods ahead. In this environment the Manager believes that the hurdle rates of most income shares continue to offer good value.

Derek Morgan  
Chairman  
10 October 2000



The unaudited results were:

**Group Statement of Total Return**  
(incorporating the revenue account of the Group\*)  
for the half year ended 31 August 2000

	<i>Six months ended</i> <i>31 August 2000 (unaudited)</i>		
	<i>Revenue</i> <i>£'000</i>	<i>Capital</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Gains on investments	—	10,428	10,428
Income	16,341	—	16,341
Investment management fee	(891)	(593)	(1,484)
Other expenses	(424)	—	(424)
<b>Net return before finance costs and taxation</b>	<b>15,026</b>	<b>9,835</b>	<b>24,861</b>
<b>Interest payable and similar charges</b>			
Interest	(2,577)	(1,709)	(4,286)
Indexation of Debenture	—	(206)	(206)
Zero dividend preference shares of subsidiary	—	(4,219)	(4,219)
<b>Return on ordinary activities before tax</b>	<b>12,449</b>	<b>3,701</b>	<b>16,150</b>
Tax on ordinary activities	(1,507)	753	(754)
<b>Return on ordinary activities after tax</b>	<b>10,942</b>	<b>4,454</b>	<b>15,396</b>
Dividends in respect of equity shares	(11,337)	—	(11,337)
<b>Transfers (from)/to reserves</b>	<b>(395)</b>	<b>4,454</b>	<b>4,059</b>
<b>Return per share (pence):</b>			
Ordinary	8.49	3.46	11.95

	<i>Six months ended 31 August 1999</i> <i>(unaudited) (restated)</i>		
	<i>Revenue</i> <i>£'000</i>	<i>Capital</i> <i>£'000</i>	<i>Total</i> <i>£'000</i>
Gains on investments	—	10,908	10,908
Income	15,837	—	15,837
Investment management fee	(1,053)	(701)	(1,754)
Other expenses	(406)	—	(406)
<b>Net return before finance costs and taxation</b>	<b>14,378</b>	<b>10,207</b>	<b>24,585</b>
<b>Interest payable and similar charges</b>			
Interest	(2,366)	(1,560)	(3,926)
Indexation of Debenture	—	(121)	(121)
Zero dividend preference shares of subsidiary	—	(3,688)	(3,688)
<b>Return on ordinary activities before tax</b>	<b>12,012</b>	<b>4,838</b>	<b>16,850</b>
Tax on ordinary activities	(825)	552	(273)
<b>Return on ordinary activities after tax</b>	<b>11,187</b>	<b>5,390</b>	<b>16,577</b>
Dividends in respect of equity shares	(10,379)	—	(10,379)
<b>Transfers to reserves</b>	<b>808</b>	<b>5,390</b>	<b>6,198</b>
<b>Return per share (pence):</b>			
Ordinary	9.09	4.38	13.47

\* The Statements of Total Return presented above are in accordance with the Statement of Recommended Practice for Financial Statements of Investment Trust Companies.

## Summarised Consolidated Balance Sheet as at 31 August 2000

	<i>31 August 2000 (unaudited) £'000</i>	<i>31 August 1999 (unaudited) £'000</i>	<i>28 February 2000 (audited) £'000</i>
<b>Fixed assets</b>			
Investments	377,900	405,682	351,769
<b>Current assets</b>			
Debtors	21,335	13,228	45,599
Cash at bank and in hand	—	67	—
	21,335	13,295	45,599
Creditors: amounts falling due within one year	(23,618)	(13,887)	(30,254)
<b>Net current (liabilities)/assets</b>	(2,283)	(592)	15,345
<b>Total assets less current liabilities</b>	375,617	405,090	367,114
<b>Creditors: amounts falling due after one year excluding Zero dividend preference shares</b>			
RPI-Linked Debenture Stock 2007	(20,192)	(19,822)	(19,976)
Subordinated loan stock 2023	(18,810)	(18,789)	(18,800)
Bank loans	(81,000)	(81,000)	(81,000)
	(120,002)	(119,611)	(119,776)
Zero dividend preference shares	(104,016)	(95,825)	(99,798)
<b>Total net assets</b>	151,599	189,654	147,540
<b>Share capital and reserves</b>			
Called-up share capital	12,883	12,883	12,883
Share premium account	149,888	149,704	149,907
Merger reserve	15,958	15,958	15,958
Capital reserves:			
Realised (including accrued finance costs)	(23,401)	(12,694)	(13,146)
Unrealised	(3,692)	23,031	(18,420)
Revenue reserve	(37)	772	358
<b>Total equity shareholders' funds</b>	151,599	189,654	147,540
<b>Net asset value per share (pence):</b>			
Ordinary	117.67	147.21	114.52

# Consolidated Cash Flow Statement for the six months to 31 August 2000

	31 August 2000 (unaudited) £'000	31 August 1999 (unaudited) £'000
Net cash inflow from operating activities	14,616	13,234
Net cash outflow from servicing of finance	(4,223)	(3,784)
Net tax recovered	279	387
Net cash inflow/(outflow) from financial investment	6,118	(44,081)
Equity dividends paid	(11,337)	(9,421)
Net cash inflow/(outflow) before financing	5,453	(43,665)
Net cash inflow from financing	—	32,883
Increase/(decrease) in cash	5,453	(10,782)
<b>Reconciliation of operating revenue to net cash inflow from operating activities</b>		
Net revenue before finance costs and taxation	15,026	14,378
Decrease in accrued income	1,648	884
Increase in other debtors	(25)	(2)
Increase in other creditors	47	20
Capitalised expenses taken to non-distributable reserves	(595)	(701)
UK income tax deducted at source	(1,479)	(1,338)
Overseas withholding tax suffered	(6)	(7)
	14,616	13,234
<b>Reconciliation of net cash flow to movements in net debt</b>		
Increase/(decrease) in cash as above	5,453	(10,782)
Cash inflow from increase in net debt	—	(20,248)
	5,453	(31,030)
Increase in debt	(4,444)	(6,047)
Movement in net debt in the period	1,009	(37,077)
Net debt at 1 March	(240,090)	(182,340)
Net debt at 31 August	(239,081)	(219,417)
<b>Represented by:</b>		
Cash at bank	—	67
Bank overdraft	(15,063)	(4,048)
Debt falling due after more than one year	(224,018)	(215,436)
	(239,081)	(219,417)

- The breakdown of income for the periods to 31 August 2000 and 31 August 1999 was as follows:

	<i>31 August 2000 £'000</i>	<i>31 August 1999 £'000</i>
<b>Income from investments</b>		
Franked investment income (net)	7,502	8,517
Unfranked investment income (gross)	8,720	7,087
Foreign income dividends	—	46
	<u>16,222</u>	<u>15,650</u>
<b>Other income</b>		
Underwriting income	—	39
Deposit interest	119	148
	<u>119</u>	<u>187</u>
<b>Total income</b>	<u>16,341</u>	<u>15,837</u>

With effect from 1 March 2000 franked investment income is presented excluding attributable tax credits. Previously, franked investment income was presented including attributable tax credits, which were then also included within the charge for taxation. The change, which has no effect on the net income after taxation for the period, has been made to comply with FRS 16 "Current tax"; comparative figures have been restated. The effect of this change in presentation is to decrease franked investment income and the tax charge by equal amounts of £833,000 (1999 - £1,192,000) resulting in no change in the net income after taxation for the period for either 2000 or 1999.

- The basic revenue return per Ordinary share is based on net revenue on ordinary activities after taxation of £10,942,000 (1999 - £11,187,000) and on 128,834,529 (1999 - 123,100,258) Ordinary shares, being the weighted average number of Ordinary shares in issue for the period.

The basic capital return per Ordinary share is based on net capital gains of £4,454,000 (1999 - £5,390,000) and on 128,834,529 (1999 - 123,100,258) Ordinary shares, being the weighted average number of Ordinary shares in issue for the period.

- The basic net asset value per Ordinary share is based on net shareholders' funds at the period end and on 128,834,529 (31 August 1999 and 28 February 2000 - 128,834,529) Ordinary shares, being the number of Ordinary shares in issue at the period end.
- Reserves:

	<i>Share Premium account £'000</i>	<i>Merger reserve £'000</i>	<i>Capital reserve - realised (including accrued finance costs) £'000</i>	<i>Capital reserve - unrealised £'000</i>
As at 1 March 2000	149,907	15,958	(13,146)	(18,420)
Unrealised appreciation of fixed asset investments	—	—	—	14,728
Net realised losses on investments	—	—	(4,300)	—
Expenses allocated to capital	—	—	(2,302)	—
Tax allocation on allowable expenses	—	—	753	—
Transfer from share premium account	(19)	—	19	—
Indexation on Debenture stock	—	—	(206)	—
Accrued redemption premium and amortisation of issue costs of Zero dividend preference shares	—	—	(4,219)	—
<b>As at 31 August 2000</b>	<u>149,888</u>	<u>15,958</u>	<u>(23,401)</u>	<u>(3,692)</u>

5. **Summary reconciliation of shareholders' funds**

	<i>£'000</i>
Opening equity shareholders' funds	147,540
Net gains on investments	10,428
Capitalised expenses net of taxation	(1,549)
Accrued redemption premium and amortisation of issue costs of Zero dividend preference shares	(4,219)
Indexation on Debenture stock	(206)
Net revenue deficit	(395)
<b>Closing equity shareholders' funds</b>	<b><u>151,599</u></b>

6. The financial statements for the six months ended 31 August 2000 and 31 August 1999 comprise non-statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the year ended 28 February 2000 has been abridged from published accounts that have been delivered to the Registrar of Companies on which the report of the auditors was unqualified.
7. Copies of the Interim Report will be posted to shareholders in due course and further copies may be obtained from the registered office, One Bow Churchyard, Cheapside, London EC4M 9HH.

10 October 2000

Aberdeen Asset Management PLC  
*Secretaries*

## **Independent review report by KPMG Audit Plc to Aberdeen Preferred Income Trust PLC**

### **Introduction**

We have been instructed by the Company to review the financial information set out above and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1994/4: *Review of interim financial information* issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 August 2000.

KPMG Audit Plc  
*Chartered Accountants*  
Aberdeen  
10 October 2000."

## PART V

### ADDITIONAL INFORMATION

#### 1. DIRECTORS

The Directors of Abpref and Abpref Securities are:

Derek William Charles Morgan OBE, DL (*Chairman*)  
Christopher David Fishwick  
Harry Abraham Hyman  
Ian Roy Marks CBE  
Neil Ernest Osborn  
Robert Brierley Wild

#### 2. RESPONSIBILITY

The Directors, whose names appear in paragraph 1 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.

#### 3. SHARE CAPITAL OF THE GROUP FOLLOWING IMPLEMENTATION OF THE PROPOSALS

##### 3.1 *Abpref*

3.1.1 The authorised share capital of Abpref is £31,000,000 divided into 310,000,000 Ordinary Shares.

3.1.2 The following information relates to certain matters affecting the share capital of Abpref as set out in the special resolution to be proposed at the Abpref EGM, notice of which is set out at the end of this document:

- (a) The maximum amount by nominal value of relevant securities (as defined in section 80 of the Act) which the Directors will have authority to allot following the passing of the special resolution is £18,116,547.10 representing 141 per cent. of Abpref's issued share capital at the date of this document.
- (b) The authority referred to in (a) above will lapse on the date which is five years after the date of passing the special resolution.
- (c) The maximum amount by nominal value of equity securities (as defined in section 94(2) of the Act) which the disapplication of statutory pre-emption rights in paragraph (b) of the special resolution will cover is £18,116,547.10, representing 141 per cent. of the total equity share capital in issue at the date of this document.

3.1.3 The issued, called up and fully paid share capital of Abpref as at the date hereof is £12,883,452.90, made up of 128,834,529 Ordinary Shares. On the basis of the Assumptions, the issued, called up and fully paid share capital of Abpref will increase to £16,883,452.90, made up of 168,834,529 Ordinary Shares.

##### 3.2 *Abpref Securities*

3.2.1 The authorised share capital of Abpref Securities is £66,250,000 divided into 494,500,000 ordinary income shares of 10p each, 120,000 deferred shares of 500p each and 324,000,000 2003 ZDP Shares of 5p each.

3.2.2 The following information relates to certain matters affecting the share capital of Abpref Securities as set out in the special resolution to be proposed at the Abpref Securities EGM, notice of which is set out at the end of this document:

- (a) The maximum amount by nominal value of relevant securities (as defined in section 80 of the Act) which the Directors will have authority to allot following the passing of the special resolution is £51,322,810.45 representing 591 per cent. of the total equity share capital in issue at the date of this document.

- (b) The authority referred to in (a) above will lapse on the date which is five years after the date of passing the special resolution.

3.2.3 The issued, called up and fully paid share capital as at the date hereof is £8,677,189.55, made up of 60,600,000 ordinary income shares of 10p each, 120,000 deferred shares of 500p and 40,343,791 2003 ZDP Shares. On the basis of the Assumptions, the issued, called up and fully paid share capital of Abpref Securities will increase to £10,697,189.55, made up of 75,800,000 ordinary income shares of 10p each, 120,000 deferred shares of 500p each, 40,343,791 2003 ZDP Shares and 10,000,000 2008 ZDP Shares.

#### 4. SUBSTANTIAL INVESTMENTS

The ten largest investments of Abpref by value as at 29 September 2000 (the latest practicable date prior to publication of this document) are set out below:

4.1	Name of company - Aberdeen High Income Trust PLC	
	Description of business - Investment trust	
	Name of security - ordinary 25p shares	
	Proportion of class held	20.46%
	Percentage of Abpref portfolio	1.88%
	Cost	£7,510,447
	Market value at 29 September 2000	£6,907,875
	Earnings per share for the latest audited financial year	8.39p
	Dividends per share received in the most recent financial year	8.5p
	Dividend cover for the latest audited financial year	1.02
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	£7.16m
4.2	Name of company - Leveraged Income Fund Limited	
	Description of business - Offshore investment company	
	Name of security - ordinary 25p shares	
	Proportion of class held	5.28%
	Percentage of Abpref portfolio	1.74%
	Cost	£7,606,788
	Market value at 29 September 2000	£6,388,375
	Earnings per share for the latest audited financial year	12.22p
	Dividends per share received in the most recent financial year	11.0p
	Dividend cover for the latest audited financial year	0.99
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	£5.91m
4.3	Name of company - The European Technology and Income Company Limited	
	Description of business - Offshore investment company	
	Name of security - ordinary 1p shares	
	Proportion of class held	5.30%
	Percentage of Abpref portfolio	1.80%
	Cost	£8,605,289
	Market value at 29 September 2000	£6,598,500
	Earnings per share for the latest audited financial year	n/a
	Dividends per share received in the most recent financial year	n/a
	Dividend cover for the latest audited financial year	n/a
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	n/a



4.4	Name of company - Legg Mason Investors Income & Growth Trust PLC	
	Description of business - Investment trust	
	Name of security - ordinary 25p shares	
	Proportion of class held	9.62%
	Percentage of Abpref portfolio	1.91%
	Cost	£7,275,000
	Market value at 29 September 2000	£7,012,500
	Earnings per share for the latest audited financial year	n/a
	Dividends per share received in the most recent financial year	n/a
	Dividend cover for the latest audited financial year	n/a
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	n/a
4.5	Name of company - The Enhanced Zero Trust PLC	
	Description of business - Investment trust	
	Name of security - ordinary 1p shares	
	Proportion of class held	13.85%
	Percentage of Abpref portfolio	2.10%
	Cost	£8,310,000
	Market value at 29 September 2000	£7,682,850
	Earnings per share for the latest audited financial year	(1.67)p
	Dividends per share received in the most recent financial year	nil
	Dividend cover for the latest audited financial year	n/a
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	£8.25m
4.6	Name of company - Robert Fleming & Co. Ltd	
	Description of business - Merchant bank	
	Name of security - 9.25% Subordinated Guaranteed Perpetual Loan	
	Proportion of class held	7.40%
	Percentage of Abpref portfolio	2.30%
	Cost	£7,426,000
	Market value at 29 September 2000	£8,418,610
	Earnings per share for the latest audited financial year	n/a
	Dividends per share received in the most recent financial year	n/a
	Dividend cover for the latest audited financial year	n/a
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	£7.29m
4.7	Name of company - Premier Farnell PLC	
	Description of business - Electrical distributor	
	Name of security - 89.2p convertible cum. red. ref. £1 share	
	Proportion of class held	1.72%
	Percentage of Abpref portfolio	1.91%
	Cost	£5,721,511
	Market value at 29 September 2000	£6,990,000
	Earnings per share for the latest audited financial year	15.6p
	Dividends per share received in the most recent financial year	89.2p
	Dividend cover for the latest audited financial year	2.79
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	£0.48m

4.8	Name of company - Jupiter Dividend & Growth Trust PLC	
	Description of business - Investment trust	
	Name of security - ordinary 10p shares	
	Proportion of class held	6.41%
	Percentage of Abpref portfolio	2.03%
	Cost	£9,942,500
	Market value at 29 September 2000	£7,456,875
	Earnings per share for the latest audited financial year	n/a
	Dividends per share received in the most recent financial year	n/a
	Dividend cover for the latest audited financial year	n/a
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	n/a
4.9	Name of company - The Technology and Income Trust Limited	
	Description of business - Offshore investment company	
	Name of security - income 10p shares	
	Proportion of class held	19.42%
	Percentage of Abpref portfolio	2.80%
	Cost	£9,735,712
	Market value at 29 September 2000	£10,256,710
	Earnings per share for the latest audited financial year	n/a
	Dividends per share received in the most recent financial year	n/a
	Dividend cover for the latest audited financial year	n/a
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	n/a
4.10	Name of company - The Technology and Income Trust Limited	
	Description of business - Offshore investment company	
	Name of security - ordinary 10p shares	
	Proportion of class held	8.06%
	Percentage of Abpref portfolio	2.77%
	Cost	£6,110,828
	Market value at 29 September 2000	£10,157,018
	Earnings per share for the latest audited financial year	n/a
	Dividends per share received in the most recent financial year	n/a
	Dividend cover for the latest audited financial year	n/a
	Extraordinary items for the latest audited financial year	n/a
	Net assets attributable to the investment as at the date of the latest audited balance sheet	n/a

## 5. SIGNIFICANT CHANGES

- 5.1 Save for the Proposals, there has been no significant change in the financial or trading position of Abpref since 28 February 2000, the end of the last financial period for which audited financial statements have been published.
- 5.2 Save for the Proposals, there has been no significant change in the financial or trading position of Abpref Securities since 28 February 2000, the end of the last period for which audited financial statements have been published.
- 5.3 The Shelf Document is dated 19 September 2000 and there has been no significant change in relation to any matters contained in the Shelf Document and, except for the Proposals and as referred to in paragraph 7 below, no new matter which, if it had arisen when the Shelf Document was prepared, would have been required to be contained in the Shelf Document.

## 6. PROPOSED ARRANGEMENTS BETWEEN ABPREF AND ABPREF SECURITIES

On completion of the Proposals, Abpref and Abpref Securities will enter into the following arrangements:

- 6.1 an interest-free subordinated loan note (the "New Loan Note") will be issued by Abpref to Abpref Securities in an aggregate principal amount equal to substantially all of the proceeds of the 2008 ZDP Shares issued under the Open Offer and the Placing. The New Loan Note will not be transferable and, in the event of a winding-up of Abpref, the rights of Abpref Securities to repayment will be subordinated to the claims of Abpref's other creditors. The New Loan Note will be repayable at par on 31 October 2008. Abpref will undertake to Abpref Securities for so long as the New Loan Note remains outstanding:
  - 6.1.1 that, for so long as it is the holder of any of the issued ordinary share capital of Abpref Securities, it will not vote to pass a resolution at any general meeting of Abpref Securities relating to any matters which would require the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of ZDP Shares in accordance with the articles of association of Abpref Securities or otherwise as required by law unless such previous sanction has first been obtained;
  - 6.1.2 that it will not, and so far as it is able, will procure that none of its subsidiary undertakings will, enter into any transaction which, if it were entered into by Abpref Securities, would require the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of ZDP Shares under the articles of association of Abpref Securities or otherwise as required by law, without such previous sanction having first been obtained;
  - 6.1.3 that, except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of ZDP Shares or as required by law, it will not make any distribution to the holders of the Ordinary Shares in excess of the amount of its net revenues and revenue reserves;
  - 6.1.4 that, except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of ZDP Shares or as required by law or the UK Listing Authority, it shall ensure that the board of directors of Abpref Securities as constituted from time to time are the same individuals who form the board of directors of Abpref;
  - 6.1.5 that, except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of ZDP Shares or as required by law, it will restrict the borrowings of Abpref and shall exercise all voting and other rights or powers of control exercisable by Abpref in relation to its subsidiaries so as to procure (as regards subsidiaries, to the extent possible) that the aggregate principal amount from time to time outstanding in respect of all moneys borrowed (as defined in the articles of association of Abpref ("Abpref Articles")) as at the date of the New Loan Note) by the Group (as defined in the Abpref Articles) does not at any time exceed the limit specified in the Abpref Articles as at the date of the New Loan Note; and
  - 6.1.6 that it will have due regard to the interests of the ZDP Shareholders as described in this document; and
- 6.2 an undertaking (the "Undertaking") to be given by Abpref to Abpref Securities under which Abpref will undertake to subscribe for such number of fully paid ordinary income shares in Abpref Securities at such premium as Abpref Securities may specify, or otherwise contribute (at the election of Abpref Securities) (by way of gift, capital contribution or otherwise) to Abpref Securities such amount as would result in Abpref Securities having in aggregate sufficient assets on the 2008 ZDP Repayment Date (or earlier in certain circumstances) to satisfy the final (or then current) capital entitlement of the 2008 ZDP Shares. In the event of a winding-up of Abpref, Abpref Securities' rights under the Undertaking will be subordinated to the claims of Abpref's other creditors. Abpref will undertake to Abpref Securities for so long as its obligations under the Undertaking remain outstanding:
  - 6.2.1 that it will not, and so far as it is able, will procure that none of its subsidiary undertakings will, enter into any transaction which, if it were entered into by Abpref Securities, would require the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of 2003 ZDP Shares under the Abpref Securities Articles or otherwise as required by law, without such previous sanction having first been obtained;

- 6.2.2 that it will not, and so far as it is able, will procure that none of its subsidiary undertakings will, enter into any transaction which, if it were entered into by Abpref Securities, would require the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of 2008 ZDP Shares under the Abpref Securities Articles or otherwise as required by law, without such previous sanction having first been obtained;
- 6.2.3 that, except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of ZDP Shares or as required by law, it will not make any distribution to the holders of the Ordinary Shares in excess of the amount of its net revenues and revenue reserves;
- 6.2.4 that, except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of ZDP Shares or as required by law or the UK Listing Authority, it shall ensure that the board of directors of Abpref Securities as constituted from time to time are the same individuals who form the board of directors of Abpref;
- 6.2.5 that, except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of ZDP Shares or as required by law, it will restrict the borrowings of Abpref and shall exercise all voting and other rights or powers of control exercisable by Abpref in relation to its subsidiaries so as to procure (as regards subsidiaries, to the extent possible) that the aggregate principal amount from time to time outstanding in respect of all moneys borrowed (as defined in the Abpref Articles as at the date of the New Loan Note) by the Group (as defined in the Abpref Articles) does not at any time exceed the limit specified in the Abpref Articles as at the date of the New Loan Note; and
- 6.2.6 that it will have due regard to the interests of the ZDP Shareholders as described in this document.

## 7. MATERIAL CONTRACTS

Save as set out below and in paragraph 7 of Part II of the Shelf Document, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the publication of this document or which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

- 7.1 a placing and open offer agreement dated 6 October 2000 between Abpref (1), Abpref Securities (2), AAM (3) and BDS (4) under which BDS has undertaken to use its reasonable endeavours to procure subscribers in the Placing as agent of Abpref for up to 41,227,049 New Ordinary Shares at 136p per share and as agent of Abpref Securities for up to 10,085,948 2008 ZDP Shares at 100p per share. The Placing of New Ordinary Shares is subject, *inter alia*, to the special resolution of Ordinary Shareholders being passed, to a loan agreement being entered into on terms satisfactory to Abpref and BDS and to the UK Listing Authority admitting the New Ordinary Shares to the Official List by 13 November 2000 or such later date (not being later than 30 November 2000) as may be agreed between Abpref and BDS. The Placing of 2008 ZDP Shares is conditional additionally to the passing of the special resolution and extraordinary resolution to be proposed at the Abpref Securities EGM and Separate General Meeting respectively.

Under the Placing Agreement, conditional upon Admission becoming effective Abpref will pay to BDS as a fee a percentage of the amount of the increase in the Group's gross assets ("IGA") (as defined in the agreement) in connection with the Proposals resulting from the formula  $IGA \times (0.75 + P)\%$  where P is the lesser of (i) 0.0084 for each complete £1 million by which IGA exceeds £40 million and (ii) 0.5. Under the Placing Agreement, which may be terminated by BDS in certain circumstances, certain warranties and indemnities have been given to BDS by Abpref and Abpref Securities and certain warranties have been given to BDS by AAM.

- 7.2 a letter of consent dated 9 October 2000 from The Law Debenture Trust Corporation p.l.c. (incorporating the form of a proposed fourth supplemental trust deed to be entered into between Abpref and The Law Debenture Trust Corporation p.l.c. modifying the trust deed constituting the RPI-Linked Debenture).

## 8. MISCELLANEOUS

- 8.1 Application has been made to the UK Listing Authority for the New Shares to be admitted to the Official List. It is expected that Admission will take place and dealings commence on 7 November 2000.
- 8.2 Except for the Open Offer and the Placing, none of the New Shares have been marketed or are available to the public or the market in conjunction with the applications for listing.
- 8.3 The provisions of section 89(1) of the Act, which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid up in cash, apply to the authorised and unissued equity share capital of Abpref and Abpref Securities to the extent not disapplied pursuant to section 95 of the Act.
- 8.4 The issue price of 136p per New Ordinary Share, which is payable in cash under the Placing and Open Offer, represents a premium of 126p to the nominal value of 10p.
- The issue price of 100p per 2008 ZDP Share, which is payable in cash under the Placing and Open Offer, represents a premium of 95p to the nominal value of 5p.
- 8.5 Certificates in respect of New Shares are expected to be despatched by post, and CREST accounts credited, on 7 November 2000. No temporary documents of title will be issued.
- 8.6 On the basis of the Assumptions the expenses in connection with the Placing and Open Offer payable by Abpref are estimated to amount to £2.4 million, including £1.43 million payable to financial intermediaries. The proceeds of the Open Offer and the Placing after deduction of such expenses are estimated to amount to £62 million, which will be applied pursuant to Abpref's investment policy.
- 8.7 The total emoluments receivable by the Directors will not be varied in consequence of the Proposals.
- 8.8 BDS has given and not withdrawn its written consent to the inclusion in this document of the references to its name in the form and context in which they are included.
- 8.9 KPMG Audit Plc has given and not withdrawn its consent to the issue of this document with the inclusion of its report set out in Part IV in the form and context in which it appears and has authorised the contents of its report for the purposes of section 152(1)(e) of the Financial Services Act 1986.
- 8.10 The market prices of the Ordinary Shares, being the closing middle market prices as derived from the London Stock Exchange Daily Official List for the first dealing day in each of the six months before the date of this document and for the latest practicable date before the date of this document, were:

<i>Date</i>	<i>Price (p)</i>
2000	
2 May	134 <sup>3</sup> / <sub>4</sub>
1 June	143 <sup>3</sup> / <sub>4</sub>
3 July	147 <sup>1</sup> / <sub>2</sub>
1 August	142
1 September	142
2 October	135 <sup>1</sup> / <sub>2</sub>
9 October	132 <sup>3</sup> / <sub>4</sub>

## 9. INSPECTION OF DOCUMENTS

Copies of the following documents may be inspected:

- 9.1 in printed form at the offices of Clifford Chance, 200 Aldersgate Street, London EC1A 4JJ during usual business hours on any day (Saturdays, Sundays and public holidays excepted) until the date of the Meetings:
- 9.1.1 the memorandum and articles of association of Abpref and Abpref Securities;
- 9.1.2 the draft articles of association of Abpref Securities as proposed to be amended pursuant to the Proposals ;
- 9.1.3 the audited accounts of Abpref and Abpref Securities for the two financial years ended 28 February 2000;

- 9.1.4 the documents referred to in paragraphs 6 and 7 above and in paragraph 7 of Part II of the Shelf Document;
- 9.1.5 the Shelf Document; and
- 9.1.6 this document;
- 9.2 on the UKLA website at <http://www.fsa.gov.uk/ukla> :
  - 9.2.1 the Shelf Document.

# ABERDEEN PREFERRED INCOME TRUST PLC

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Aberdeen Preferred Income Trust PLC (the "Company") will be held at One Bow Churchyard, Cheapside, London EC4M 9HH on 3 November 2000 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

### SPECIAL RESOLUTION

THAT:

- (a) the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act"), in substitution for all existing authorities (which are hereby revoked with effect from the date on which this resolution becomes unconditional), to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £18,116,547.10 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the date which is five years after the date of the passing of this resolution, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the Directors may allot relevant securities in pursuance of that offer or agreement, provided that this authority is limited to:
  - (i) the allotment of up to 41,227,049 Ordinary Shares pursuant to the Placing and Open Offer; and
  - (ii) the allotment (otherwise than as specified in sub-paragraph (i)) of relevant securities up to an aggregate nominal amount equal to the lesser of £6,000,000 and one-third of the aggregate nominal amount of the issued share capital of the Company following the completion of the issue of Ordinary Shares pursuant to the Placing and Open Offer;
- (b) the Directors of the Company be and are hereby empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred by this resolution as if section 89(1) of that Act did not apply to any such allotment, provided that this power is limited to:
  - (i) the allotment of up to 41,227,049 Ordinary Shares pursuant to the Placing and Open Offer; and
  - (ii) the allotment (otherwise than pursuant to sub-paragraph (i)) of equity securities for cash up to an aggregate nominal amount equal to the lesser of £1,700,000 and 10 per cent. of the aggregate nominal amount of the issued share capital of the Company following the completion of the issue of Ordinary Shares pursuant to the Placing and Open Offer;
- (c) subject to admission of the New Ordinary Shares to the Official List of the UK Listing Authority, the amount standing, at the date of the order made on the hearing of the petition for confirmation of the reduction, to the credit of the share premium account of the Company be reduced to £15,000,000; and
- (d) terms used in this resolution and not otherwise defined bear the same meanings as in the issue note relating to the Company and Aberdeen Preferred Securities PLC dated 10 October 2000.

*By order of the Board*  
Aberdeen Asset Management PLC  
*Secretary*  
10 October 2000

*Registered Office:*  
One Bow Churchyard  
Cheapside  
London  
EC4M 9HH

#### Notes:

1. A member may appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. Deposit of an instrument of proxy will not preclude a member from attending the meeting and voting in person.
2. To be valid, the instrument appointing a proxy, together with any authority under which it is executed (or a notarially certified copy of such authority) must be deposited with the Company's registrars, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5WY not less than 48 hours before the time specified in this notice for holding the meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any member to attend and vote at such meeting. A white form of proxy is enclosed with this notice.

# ABERDEEN PREFERRED SECURITIES PLC

## NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Aberdeen Preferred Securities PLC (the "Company") will be held at One Bow Churchyard, Cheapside, London EC4M 9HH on 3 November 2000 at 10.02 a.m., or so soon thereafter as the extraordinary general meeting of Aberdeen Preferred Income Trust PLC convened for the same date and place shall have been concluded or adjourned, for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution:

### SPECIAL RESOLUTION

THAT, subject to the passing of the extraordinary resolution to sanction these arrangements by the holders of zero dividend preference shares in the Company, and with effect from the passing of such extraordinary resolution:

- (a) the authorised share capital of the Company be diminished from £66,250,000 to £52,067,189.55 by the cancellation of 283,656,209 Zero Dividend Preference shares which have not been taken or agreed to be taken by any person;
- (b) the authorised share capital of the Company be increased from £52,067,189.55 to £60,000,000 by the creation of 158,656,209 zero dividend preference shares 2008 of 5p each, each having the rights and being subject to the restrictions set out in the articles of association of the Company as amended by this resolution;
- (c) the Directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act"), without prejudice to all existing authorities, to exercise all the powers of the Company to allot relevant securities (as defined in that section) up to an aggregate nominal amount of £51,322,810.45 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the date which is five years after the date of the passing of this resolution, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the Directors may allot relevant securities in pursuance of that offer or agreement, provided that this authority is limited to:
  - (i) the allotment of up to 10,085,948 2008 ZDP Shares pursuant to or in connection with the Placing and Open Offer; and
  - (ii) the allotment (otherwise than as specified in sub-paragraph (i)) of relevant securities up to an aggregate nominal amount equal to the lesser of £4,000,000 and one-third of the aggregate nominal amount of the issued share capital of the Company following the completion of the issue of 2008 ZDP Shares pursuant to the Placing and Open Offer;
- (d) the articles of association of the Company be amended as follows:
  - (i) New definitions be inserted before "Board" as follows:

"**2008 Loan Note**" means the subordinated loan note to be issued by Abpref to the Company as part of the arrangements for the issue of the 2008 ZDP Shares issued on the initial listing of such shares on the Official List of the UK Listing Authority.

"**2008 Subscription Agreement**" means the subscription agreement to be entered into between the Company and Abpref as part of the arrangements for the issue of the 2008 ZDP Shares issued on the initial listing of such shares on the Official List of the UK Listing Authority.

"**2003 ZDP Repayment Date**" means 31 March 2003.

"**2008 ZDP Repayment Date**" means 31 October 2008.

"**2003 ZDP Shares**" means the zero dividend preference shares 2003 of 5p each in the Company having the rights and subject to the restrictions set out in article 3.2.



- “**2008 ZDP Shares**” means the zero dividend preference shares 2008 of 5p each in the Company having the rights and subject to the restrictions set out in article 3.2.”
- (ii) The definition of “New Abpref” be deleted and replaced by:  
 “**“Abpref”** means Aberdeen Preferred Income Trust PLC”  
 and the term “New Abpref” be replaced throughout the articles by “Abpref”;
  - (iii) The definition of “Loan Note” be deleted and replaced by:  
 “**“Initial Loan Note”** means the loan note entered into pursuant to a resolution dated 7 April 1998 of a committee of the Board between the Company and Abpref”.
  - (iv) The definition of “Subscription Agreement” be deleted and replaced by:  
 “**“Initial Subscription Agreement”** means the subscription agreement dated 8 April 1998 between the Company and Abpref”  
 and the definitions be placed in alphabetical order after the amendments made by (i) above.
  - (v) Article 3.1 be deleted and replaced by the following:  
 “3.1 The authorised share capital at the date of adoption of this Article is £60,000,000 divided into 494,500,000 Ordinary Income shares of 10p each (the “Ordinary Income shares”), 40,343,791 2003 ZDP Shares, 158,656,209 2008 ZDP Shares and 120,000 Deferred shares (the “Deferred shares”) of 500p each.”
  - (vi) In Article 3.2 the phrase “The holders of the Zero Dividend Preference shares and the Ordinary Income shares shall have the following rights:” be replaced by:  
 “The holders of the 2003 ZDP Shares, the 2008 ZDP Shares, the Deferred Shares and the Ordinary Income shares shall have the following rights:”.
  - (vii) In Article 3.2.1(B) the phrase “the Zero Dividend Preference shares carry no” be replaced by  
 “Neither the 2003 ZDP Shares nor the 2008 ZDP Shares carry any”.
  - (viii) Throughout the Articles the term “Zero Dividend Preference shares” be replaced by the term  
 “2003 ZDP Shares”.
  - (ix) After Article 3.2.2(A) the following be added:  
 “(B) second, there shall be paid to the holders of the 2008 ZDP Shares an amount equal to 100p per 2008 ZDP Share as increased daily at the compound rate of 0.02360946374 per cent. per day, the first such increase occurring on 8 November 2000 (entitling the holders of such shares to 199p per 2008 ZDP Share as at 31 October 2008), and the last on the date of actual payment;”;  
 the clause be renumbered accordingly and the word “second” in Article 3.2.2(C) be deleted and replaced by “third”.
  - (x) In Article 3.2.3(A)(2)(a)(i) be inserted “were there to be” before “a winding-up of the Company”. The word “in” before “a winding-up” be deleted.
  - (xi) In Article 3.2.3(A)(2)(b) be deleted “or releasing the Board from its obligation under Article 3A to convene an extraordinary general meeting at which the resolution will be proposed requiring the Company to be wound up voluntarily as provided in paragraph 3A of these articles of association”.
  - (xii) In Article 3.2.3(A)(2)(a)(ii) and Article 3.2.3(A)(2)(d) be inserted “Initial” before “Loan Note” and before “Subscription Agreement”.
  - (xiii) In Article 3.2.3(A)(3) the following be inserted after “Articles of Association”:  
 “if such a winding-up were to occur”.
  - (xiv) In Article 3.2.3(A)(4) the following be inserted after “Articles of Association”:  
 “if such a winding-up were to occur”.
  - (xv) In Article 3.2.3(A)(5) the “Where” in the first line be replaced by the following:  
 “Except as provided for in paragraph 3.A.2 below, where”;

and in the same section of the Article after "are entitled to vote" be inserted the following:  
"on a resolution varying or abrogating any of the special rights attached to the 2003 ZDP Shares".

- (xvi) In Article 3.2.3(A) the following new paragraph (6) be added:

"Except as provided for in paragraph 3.A.2 below, where by virtue of the provisions of paragraph (1) above the holders of 2003 ZDP Shares are entitled to vote upon any resolution to wind-up the Company every such holder present in person or by representative (if a corporation) at a meeting shall, in relation to such business, upon a show of hands have one vote and upon a poll every such holder present in person or by proxy (or, being a corporation, by representative or by proxy) shall, in relation to such business, have one vote in respect of each 2003 ZDP Share held by him".

- (xvii) In Article 3.2.3 the following new paragraph 3.2.3(B) be inserted after paragraph 3.2.3(A):

"(B) 2008 ZDP Shares

- (1) The holders of the 2008 ZDP Shares will have the right to receive notice of general meetings of the Company but shall not have the right to attend or vote at any general meeting of the Company unless the business of the meeting includes the consideration of a resolution varying or abrogating any of the special rights attached to the 2008 ZDP Shares or, subject as provided in paragraphs (3) and (4) below, upon any resolution to wind up the Company, and at any meeting where such business is to be considered such holders shall be entitled to vote in relation to such business alone. For the avoidance of doubt, one of the rights attaching to the 2008 ZDP Shares shall be that a Reconstruction Resolution (as defined in paragraph (4) below) may be passed and implemented without the holders of such shares being entitled to vote either on the Reconstruction Resolution at the relevant general meeting or to consent to the same at a separate general meeting of such holders, to the intent that the passing and implementation of a Reconstruction Resolution shall not be treated as varying, modifying or abrogating the rights attaching to the 2008 ZDP Shares.
- (2) The Company shall not, without the previous sanction of an extraordinary resolution of the holders of the 2008 ZDP Shares passed at a separate general meeting of such holders convened and held in accordance with the provisions of the Articles of Association:
  - (a) save in the circumstances set out in paragraph (E) below, issue, and shall procure that no other member of the Group shall issue, any further shares or securities, or rights to subscribe for or convert any securities into shares, or reclassify any shares in any member of the Group where such shares rank, or would on issue, conversion or reclassification rank, as to capital in priority to or *pari passu* with the 2008 ZDP Shares;
  - (b) pass a resolution amending Article 3A of these articles of association; or
  - (c) pass a resolution for the voluntary winding-up of the Company, such winding-up to take effect prior to 31 October 2008 unless such a winding-up is to take effect within one month before or after the winding-up of Abpref; or
  - (d) make any material variation of the terms of the 2008 Loan Note or 2008 Subscription Agreement which, at the time of being made, could reasonably be considered to be materially prejudicial to the interests of the holders of 2008 ZDP Shares.
- (3) Notwithstanding paragraphs (1) and (2) above, if any offer is made to all the holders of 2008 ZDP Shares (other than the offeror and/or persons acting in concert with the offeror) which becomes or is declared unconditional in all respects prior to 31 October 2008, and which entitles the holders of 2008 ZDP Shares to receive, no later than 14 November 2008, an amount in cash not less than that to which they would be entitled on a winding-up of the Company in

accordance with the Articles of Association if such a winding-up were to occur on 31 October 2008 (whether or not such an offer is accepted in any particular case), then the holders of 2008 ZDP Shares shall not thereafter be entitled to vote at any general meetings of the Company and the previous sanction of an extraordinary resolution of the holders of 2008 ZDP Shares shall not be required in any case in which it would otherwise be required by the Articles of Association provided that where, notwithstanding the foregoing, such sanction is required in any case by the Act, all holders of 2008 ZDP Shares present in person, by representative (if a corporation) or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such shares) vote in favour of any resolution or resolutions recommended by the Board, and where any vote is not cast or is cast against any such resolution or resolutions recommended by the Board it shall be deemed to have been cast in favour by virtue of this provision, save that these provisions relating to general meetings and class resolutions shall cease to have effect as regards the holders of 2008 ZDP Shares if either the Board considers that the aforementioned offer is unlikely to be honoured or the offeror breaches a material term of the offer or otherwise manifests an intention not to implement the offer.

- (4) Notwithstanding paragraphs (1) and (2) above if at any time on or before 31 October 2008 a resolution (a "Reconstruction Resolution") is proposed at a general meeting (including any meeting to be convened to consider the winding-up of the Company) to sanction any form of arrangement (including without limitation any arrangement under section 110 of the Insolvency Act 1986, or which would be capable of being an arrangement under that section if the transferee of all or part of the Company's assets were a body corporate within the meaning of such section, or any other arrangement, whether under the Act and involving the winding-up of the Company or otherwise, which in the case of such other arrangement the Directors consider to be of substantially similar commercial effect) which enables the holders of 2008 ZDP Shares to receive, no later than 14 November 2008, an amount in cash not less than that to which they would be entitled on a winding-up in accordance with the Articles of Association if such a winding up were to occur on 31 October 2008 then the holders of 2008 ZDP Shares shall not be entitled to vote on such Reconstruction Resolution and thereafter, if such Reconstruction Resolution is passed, the holders of 2008 ZDP Shares shall not be entitled to vote at any general meetings of the Company and the previous sanction of an extraordinary resolution of the holders of 2008 ZDP Shares shall not be required in any case in which it would otherwise be required by the Articles of Association provided that where, notwithstanding the foregoing, such sanction is required in any case by the Act, all holders of 2008 ZDP Shares present in person, by representative (if a corporation) or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such shares) vote in favour of any resolution or resolutions recommended by the Board and where any vote is not cast or is cast against any such resolution or resolutions it shall be deemed to have been cast in favour by virtue of this provision, save that these provisions relating to general meetings and class resolutions shall cease as regards the holders of 2008 ZDP Shares if the arrangement is not implemented in accordance with its terms.
- (5) Except as provided for in paragraph 3.A.4 below, where by virtue of the provisions of paragraph (1) above the holders of 2008 ZDP Shares are entitled to vote on a resolution varying or abrogating any of the special rights attached to the 2008 ZDP Shares, every such holder present in person or by representative (if a corporation) at a meeting shall, in relation to such business, upon a show of hands have one vote and upon a poll every such holder present in person or by proxy (or, being a corporation, by representative or by proxy) shall, in relation to such business, have such number of votes in respect of every 2008 ZDP Share held by him as will result in the holders of all the 2008 ZDP Shares having in aggregate the same number of votes as are capable of being cast by all holders of the Ordinary Income shares.

- (6) Except as provided for in paragraph 3.A.4 below, where by virtue of the provisions of paragraph (1) above the holders of 2008 ZDP Shares are entitled to vote upon a resolution to wind-up the Company every such holder present in person or by representative (if a corporation) at a meeting shall, in relation to such business, upon a show of hands have one vote and upon a poll every such holder present in person or by proxy (or, being a corporation, by representative or by proxy) shall, in relation to such business, have one vote in respect of each 2008 ZDP Share held by him’.
- (xviii) In Article 3.2.3 the existing Article 3.2.3(B) shall become (C) and the existing paragraph (C) shall become (D). In the existing Article 3.2.3(B) be inserted after “Ordinary” the word “Income” in each place where “Ordinary” occurs in this paragraph.
- (xix) After Article 3.2.3(D) be inserted the following new article (E):
- “(E) Issue of further prior or *pari passu* ranking securities
- (i) Notwithstanding paragraph 3.2.3(B)(2)(a) above, any member of the Group may, subject as provided in the relevant company’s Articles of Association, issue any Relevant Securities or Relevant Rights or reclassify any Relevant Existing Shares (each as defined in this paragraph (E)) provided that:
- (a) the Company’s auditors shall have reported to the board prior to the Issue Date (as defined in this paragraph (E)) that, in their opinion, were the Relevant Securities to be issued, the Relevant Rights to be issued and immediately exercised or the Relevant Existing Shares to be reclassified on the Issue Date, the 2008 ZDP Shares in issue immediately after the Issue Date would have a cover which is not less than the lower of 1.5 and the cover of the 2008 ZDP Shares in issue at the Calculation Date (as defined in this paragraph (i)) and, for this purpose, the cover of the 2008 ZDP Shares shall be the number resulting from the following formula:

$$\frac{T}{L+Z}$$

where:

“T” is the value of the total assets of the Group (valued in accordance with the Group’s accounting policies), less the current liabilities of the Group (other than bank or other borrowings to the extent that they are classified as current liabilities);

“L” is the liabilities of the Group (but excluding the current liabilities of the Group (other than bank or other borrowings to the extent that they are classified as current liabilities) and any liabilities between members of the Group corresponding to and supporting the 2008 ZDP Shares or any other issued share capital ranking as to capital in priority to or *pari passu* with the 2008 ZDP Shares); and

“Z” is the aggregate of the total amount payable on the repayment of the 2008 ZDP Shares on the 2008 ZDP Repayment Date, the total amount payable on the repayment or redemption of any other issued share capital of any member of the Group which ranks as to capital in priority to or *pari passu* with the 2008 ZDP Shares and falls to be repaid or redeemed on or prior to the 2008 ZDP Repayment Date and the total capital entitlement as at the 2008 ZDP Repayment Date in respect of any other issued share capital of any member of the Group which ranks as to capital in priority to or *pari passu* with the 2008 ZDP Shares and falls to be repaid or redeemed after the 2008 ZDP Repayment Date; and

- (b) Abpref and the Company shall, save to the extent that the Company has been advised by a reputable taxation adviser that it is not appropriate in the case of any such issue or reclassification by the Company, have entered into arrangements in relation to the proceeds of such issue on substantially the same terms as the 2008 Loan Note and the 2008 Subscription Agreement

referred to in paragraph 3.2.3(B)(2)(d) of this Article 3 or, in the case of any such reclassification, have entered into a subscription agreement substantially in the same terms as the 2008 Subscription Agreement referred to in paragraph 3.2.3(B)(2)(d) of this Article 3.

- (ii) For the purposes of this paragraph (E), the cover of the 2008 ZDP Shares in issue as at the Calculation Date shall be calculated by:
  - (a) reference to the assets, liabilities and issued share capital of each member of the Group as at the Calculation Date (and, for this purpose, any rights to subscribe for or convert any securities into shares in any member of the Group outstanding at the Calculation Date shall be deemed to have been exercised immediately prior to, and such shares shall be deemed to be in issue at, the Calculation Date); and
  - (b) making such adjustments (including any such as they consider appropriate in respect of liabilities effectively ranking behind the 2008 ZDP Shares) as the Company's auditors may consider appropriate.
- (iii) For the purposes of this paragraph (E), the cover of the 2008 ZDP Shares immediately after the Issue Date (were the Relevant Securities to be issued, the Relevant Rights to be issued and immediately exercised or the Relevant Existing Shares to be reclassified on the Issue Date) shall be calculated by:
  - (a) reference to the assets, liabilities and issued share capital of each member of the Group as at the Calculation Date (and, for this purpose, any rights to subscribe for or convert any securities into shares in any member of the Group outstanding at the Calculation Date shall be deemed to have been exercised immediately prior to, and such shares shall be deemed to be in issue at, the Calculation Date);
  - (b) adjusting "T" in the above formula by adding the minimum or estimated minimum aggregate net consideration (if any) which would be received by any member of the Group were the Relevant Securities (and any other shares proposed to be issued in connection with or consequent upon the issue of the Relevant Securities) issued or the Relevant Rights to be issued and immediately exercised;
  - (c) adjusting "L" in the above formula by adding the maximum or estimated maximum aggregate amount of any moneys proposed to be borrowed by any member of the Group in connection with or consequent upon the issue of the Relevant Securities or the Relevant Rights or the reclassification of the Relevant Existing Shares (notwithstanding that such moneys may not be drawn down until a date later than the date on which the Relevant Shares or the Relevant Rights are issued or the Relevant Existing Shares are reclassified), provided that there shall be excluded from "L" as adjusted in accordance with this sub-paragraph (c), any liabilities between members of the Group which will correspond to and support the Relevant Securities to be issued, the shares which will arise on the reclassification of the Relevant Existing Shares;
  - (d) adjusting "Z" in the above formula by adding the maximum or estimated maximum total amount payable on the redemption or repayment of the Relevant Securities, the shares which will arise on the exercise of the Relevant Rights or the shares which will arise on the reclassification of the Relevant Existing Shares if such shares fall to be repaid or redeemed on or prior to the 2008 ZDP Repayment Date or by adding the maximum or estimated maximum total capital entitlement as at the 2008 ZDP Repayment Date in respect of the Relevant Securities, the shares which arise on the exercise of the relevant Rights or the shares which will arise on the reclassification of the Relevant Existing Shares if such shares fall to be repaid or redeemed after the 2008 ZDP Repayment Date; and

- (e) making such other adjustments (including any such as they consider appropriate in respect of liabilities effectively ranking behind the 2008 ZDP Shares) as the Company's auditors consider appropriate; and
- (iv) For the purposes of this paragraph (E):

**"Calculation Date"** means the close of business on a date which is not earlier than 60 days prior to (and excluding) the Issue Date or, at the discretion of the Board in the case of any Relevant Securities or Relevant Rights proposed to be issued or Relevant Existing Shares proposed to be reclassified:

- (a) pursuant to or in connection with a takeover offer (as defined either in section 428(1) of the Act or in Regulation 7 of the Public Offers of Securities Regulations 1995);
- (b) pursuant to or in connection with any arrangement (including, without limitation, any arrangement under section 110 of the Insolvency Act 1986); or
- (c) in any other manner which would require to be approved by a resolution of the shareholders (or any class of shareholders) of any member of the Group other than such a member whose only shareholders are other members of the Group or their nominees,

the close of business on a date which is not earlier than 60 days prior to (and excluding) the date of the announcement of such proposed issue or reclassification or, if applicable and earlier, the date of any announcement of the intention to make such proposed issue or reclassification;

**"Issue Date"** means the date on which it is proposed to allot the Relevant Securities, issue the Relevant Rights or reclassify the Relevant Existing Shares or, if such allotment, issue or reclassification may take place on more than one date, the first of such dates;

**"Relevant Existing Shares"** means any issued shares in any member of the Group proposed to be reclassified into shares of a particular class where such shares would on reclassification rank as to capital in priority to or *pari passu* with the 2008 ZDP Shares (taking account, for this purpose, of any liabilities between members of the Group corresponding to and supporting such shares on reclassification);

**"Relevant Rights"** means any rights to subscribe for or convert any securities into shares in any member of the Group proposed to be issued where such shares would on issue or conversion rank as to capital in priority to or *pari passu* with the 2008 ZDP Shares (taking account, for this purpose, of any liabilities between members of the Group corresponding to and supporting such shares on issue); and

**"Relevant Securities"** means any shares in any member of the Group proposed to be issued where such shares would on issue or conversion rank as to capital in priority to or *pari passu* with the 2008 ZDP Shares (taking account, for this purpose, of any liabilities between members of the Group corresponding to and supporting such shares on issue).".

- (xx) Article 3A be deleted and be replaced by the following:

"3A.

3.A.1 If:

- (A) the Company does not have arrangements in place or has not issued proposals to members, prior to 28 February 2003, which enable or will enable the holders of 2003 ZDP Shares (other than Abpref or any person agreeing to retain or acquire 2003 ZDP Shares on terms that he may not require the Company to be wound-up on or around 31 March 2003) to receive, on or before 14 April 2003, in respect of their 2003 ZDP Shares an amount in cash at least equal to the final capital entitlement of

the 2003 ZDP Shares as calculated in accordance with paragraph 3.2.2.(A) above then the Board shall immediately convene an extraordinary general meeting of the Company to be held on 31 March 2003; or

- (B) in any case, the holders of the 2003 ZDP Shares (other than Abpref or any person agreeing to retain or acquire 2003 ZDP Shares on terms that he may not require the Company to be wound-up on or around 31 March 2003) are not paid on or before 14 April 2003 their final capital entitlement as calculated in accordance with paragraph 3.2.2(A) above then the Board shall immediately convene an extraordinary general meeting of the Company to be held as soon as possible thereafter,

at which, in either case, a special resolution (the "Winding-up Resolution") will be proposed pursuant to section 84 of the Insolvency Act 1986 requiring the Company to be wound up voluntarily, provided that the Board shall be released from its obligation to convene such extraordinary general meeting where an offer is made to all holders of 2003 ZDP Shares in the manner described in paragraph 3.2.3(A)(3) above or a Reconstruction Resolution is put to a general meeting of the Company in the manner described in paragraph 3.2.3(A)(4) above save that if the Board declares that it considers that the said offer is unlikely to be honoured or the offeror breaches a material term of the offer or otherwise manifests an intention not to implement the offer or the arrangement or scheme which is the subject of the Reconstruction Resolution is not implemented in accordance with its terms then the Board shall immediately convene an extraordinary general meeting of the Company to be held as soon as possible thereafter at which the Winding-up Resolution will be proposed.

- 3.A.2 At the extraordinary general meeting convened pursuant to paragraph 3.A.1 above those holders of 2003 ZDP Shares who (being individuals) are present in person or by proxy or (being a corporation) by proxy or by a representative and entitled to vote and who vote in favour of the Winding-up Resolution shall collectively have such total number of votes on a poll as is one more than the number which are required to be cast on such poll for the said Winding-up Resolution to be carried, and upon such resolution being passed the Company shall be wound up accordingly.

3.A.3 If:

- (A) the Company does not have arrangements in place or has not issued proposals to members on or before 30 September 2008 which enable or will enable holders of 2008 ZDP Shares (other than Abpref or any person agreeing to retain or acquire 2008 ZDP Shares on terms that he may not require the Company to be wound-up on or around 31 October 2008) to receive in respect of their 2008 ZDP Shares by no later than 14 November 2008 an amount in cash at least equal to the capital entitlement of the 2008 ZDP Shares as calculated in accordance with paragraph 3.2.2(B) above, then the Board shall immediately convene an extraordinary general meeting of the Company to be held on 31 October 2008; or
- (B) in any case, the holders of 2008 ZDP Shares (other than Abpref or any person agreeing to retain or acquire 2008 ZDP Shares on terms that he may not require the Company to be wound-up on or around 31 October 2008) are not paid on or before 14 November 2008 their final capital entitlement as calculated in accordance with paragraph 3.2.2(B) above, then the Directors shall immediately convene an extraordinary general meeting of the Company to be held as soon as possible thereafter;

at which, in either case, the Winding-up Resolution will be proposed provided that the Board shall be released from its obligation to convene such an extraordinary general meeting where an offer is made to all holders of 2008 ZDP Shares or a Reconstruction Resolution is put to a general meeting of the Company in either case in the manner contemplated in paragraph 3.2.3(B)(3) and 3.2.3(B)(4) respectively, save that if the Board declares that it considers that the said offer is unlikely to be honoured or the offeror breaches a material term of the offer or otherwise manifests an intention not to implement the offer or the arrangement or scheme which is the subject of the Reconstruction Resolution is not implemented in accordance with

its terms then the Board shall immediately convene an extraordinary general meeting of the Company to be held as soon as possible thereafter at which the Winding-up Resolution will be proposed.

3.A.4 At the extraordinary general meeting convened pursuant to paragraph 3.A.3 above, those holders of 2008 ZDP Shares who (being individuals) are present in person or by proxy or (being a corporation) by proxy or by a representative and entitled to vote and who vote in favour of the Winding-up Resolution shall collectively have such total number of votes on a poll as is one more than the number of votes which are required to be cast on such a poll for the said Winding-up Resolution to be carried, and upon such resolution being passed the Company shall be wound up accordingly."

(xxi) In Article 58 the word "Three" before "members present in person by proxy and entitled to vote at that meeting shall be a quorum" be replaced by "Two".

(xxii) In Article 63(ii) the word "three" before "members present in person or by proxy" be replaced by "two"; and

(e) terms used in this resolution and not otherwise defined bear the same meanings as in the issue note relating to Aberdeen Preferred Income Trust PLC and the Company dated 10 October 2000.

*By order of the Board*  
Aberdeen Asset Management PLC  
*Secretary*  
10 October 2000

*Registered Office:*  
One Bow Churchyard  
Cheapside  
London  
EC4M 9HH

*Notes:*

1. A member may appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. Deposit of an instrument of proxy will not preclude a member from attending the meeting and voting in person.
2. To be valid, the instrument appointing a proxy, together with any power of attorney or authority under which it is executed (or a notarially certified copy of such power or authority) must be deposited with the Company's registrars, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5WY not less than 48 hours before the time specified in this notice for holding the meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any members to attend and vote at such meeting. A blue form of proxy is enclosed with this notice.
3. Holders of zero dividend preference shares are entitled to attend and vote at this meeting in accordance with article 3.2.3 of the Company's articles of association.



## **ABERDEEN PREFERRED SECURITIES PLC**

### **NOTICE OF SEPARATE GENERAL MEETING OF HOLDERS OF ZERO DIVIDEND PREFERENCE SHARES**

NOTICE IS HEREBY GIVEN that a separate general meeting of the holders of zero dividend preference shares in Aberdeen Preferred Securities PLC (the "Company") will be held at One Bow Churchyard, Cheapside, London EC4M 9HH on 3 November 2000 at 10.04 a.m., or so soon thereafter as the extraordinary general meeting of the Company convened for the same date and place shall have been concluded or adjourned, for the purpose of considering and, if thought fit, passing the following extraordinary resolution.

#### **EXTRAORDINARY RESOLUTION**

THAT, subject to the passing of the special resolution of the Company contained in the notice of extraordinary general meeting of the Company convened for 3 November 2000, the holders of the zero dividend preference shares in the capital of the Company hereby sanction and consent to the passing and carrying into effect of such special resolution and to the implementation of the Proposals as set out in the issue note relating to Aberdeen Preferred Income Trust PLC and the Company dated 10 October 2000.

*By order of the Board*  
Aberdeen Asset Management PLC  
*Secretary*  
10 October 2000

*Registered Office:*  
One Bow Churchyard  
Cheapside  
London  
EC4M 9HH

#### *Notes:*

1. A member may appoint one or more proxies to attend and vote instead of him or her. A proxy need not be a member of the Company. Deposit of an instrument of proxy will not preclude a member from attending the meeting and voting in person.
2. To be valid, the instrument appointing a proxy, together with any power of attorney or authority under which it is executed (or a notarially certified copy of such power or authority) must be deposited with the Company's registrars, Lloyds TSB Registrars Scotland, 117 Dundas Street, Edinburgh EH3 5WY not less than 48 hours before the time specified in this notice for holding the meeting. Changes to entries in the register after that time shall be disregarded in determining the rights of any members to attend and vote at such meeting. A blue form of proxy (with a black triangle in the top right hand corner) is enclosed with this notice.
3. Only holders of zero dividend preference shares are entitled to attend and vote at this meeting.
4. If a quorum is not obtained within half an hour of the time appointed for this meeting it shall be adjourned to the same time and place on 10 November 2000 where the quorum shall be any one holder of zero dividend preference shares present in person or by proxy.