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This document comprises a prospectus relating to BlackRock Greater Europe Investment Trust plc prepared in accordance with the Prospectus Rules and Listing Rules of the UK Listing Authority made under section 73A of the Financial Services and Markets Act 2000. This document has been approved by and filed with the Financial Services Authority in accordance with rule 3.2 of the Prospectus Rules.

Applications will be made to the Financial Services Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and for the New Subscription Shares to be admitted to the standard segment of the Official List. Application will also be made to the London Stock Exchange for all such New Ordinary Shares and New Subscription Shares to be admitted to trading on the London Stock Exchange's main market for listed securities.

BLACKROCK GREATER EUROPE INVESTMENT TRUST PLC

(Incorporated in England and Wales with company number 5142459 and registered as an investment company under section 833 of the Companies Act 2006)

Issue and Admission of up to 40 million New Ordinary Shares and up to 8 million New Subscription Shares in connection with the recommended proposals for the reconstruction and winding-up of Charter European Trust plc

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The whole text of this document should be read. The attention of potential investors is drawn in particular to the section of this document entitled "Risk Factors".

Prospective investors should inform themselves as to: (a) the possible tax consequences; (b) the legal requirements; and (c) any foreign exchange restrictions or exchange control requirements, which they might encounter under the laws of the countries of their citizenship, residence or domicile, and which might be relevant to the subscription, holding or disposal of Ordinary Shares or Subscription Shares or the exercise of the Subscription Share Rights.

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SUMMARY

This summary section should be read as an introduction to the Prospectus. Any decision to invest in the Company should be based on a consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of an EEA State, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

INTRODUCTION

The Company is a UK investment trust with an indefinite life, which was established on 1 June 2004 as a successor company to Merrill Lynch European Investment Trust plc.

The Company has reached agreement in principle with Charter, an investment trust managed by RCM (UK) Limited which invests principally in the shares of quoted European companies, in respect of a merger of the assets of each of the Company and Charter through a scheme of reconstruction and winding-up of Charter. It is proposed that UK resident or ordinarily resident Qualifying Charter Shareholders will be provided with a tax-efficient rollover into the Company.

SUMMARY OF INVESTMENT OBJECTIVE AND POLICY

The Company's objective is the achievement of capital growth, primarily through investment in a focused portfolio constructed from a combination of the securities of large, mid and small capitalisation European companies, together with some investment in the developing markets of Europe.

The Company's policy is that the portfolio should consist of approximately 30 to 70 securities and the majority of the portfolio will be invested in larger capitalisation companies, being companies with a market capitalisation of over €5 billion. Up to 25 per cent. may be invested in companies in developing Europe with the flexibility to invest up to 5 per cent. of the portfolio in unquoted investments. However, overall exposure to developing European companies and unquoted investments together will not exceed 25 per cent. of the Company's portfolio.

Investment in developing European securities may be either direct or through other funds, including those managed by the Manager, subject to a maximum of 15 per cent. of the portfolio.

Direct investment in Russia is limited to 10 per cent. of the Company's assets. Investments may also include depositary receipts or similar instruments representing underlying securities. The Company also has the flexibility to invest up to 20 per cent. of the portfolio in debt securities, such as convertible bonds and corporate bonds. The use of any derivative instruments such as financial futures, options and warrants and the entering into of stock lending arrangements will only be for the purposes of efficient portfolio management.

While the Company may hold shares in other investment companies (including investment trusts), the Company will not (save in certain circumstances) invest more than 10 per cent., in aggregate, of the value of its total assets in other listed closed-ended investment funds.

The Company may, from time to time, use borrowings to gear its investment policy or in order to fund the market purchase of its own Ordinary Shares. Under the Articles, the net borrowings of the Company may not exceed 100 per cent. of the value of the gross assets of the Company. However, in normal market conditions, borrowings are not expected to exceed 15 per cent. of the value of the net assets of the Company at the time of draw down of the relevant borrowings.

THE MANAGER

The Company is managed by BlackRock Investment Management (UK) Limited, a company incorporated in England and Wales on 16 May 1986 under the Companies Act 1985 as a private company with registered number 02020394. The Manager, with its affiliated global entities, had

approximately US\$3.513 trillion of funds under management as at 31 December 2011 (information in relation to funds under management has been sourced from the Manager).

THE PROPOSALS

The Company is seeking to allot up to 40 million New Ordinary Shares and up to 8 million New Subscription Shares pursuant to the Issue.

The Charter Scheme and the Issue Shares

It is proposed that investment in the Company will be offered in a scheme of reconstruction and winding-up of Charter. Pursuant to the Proposals, the Company will acquire substantially all of Charter's assets (apart from those retained in the Liquidation Fund) in consideration for the issue of New Ordinary Shares and New Subscription Shares to all Qualifying Charter Shareholders. Qualifying Charter Shareholders will be offered such number of New Ordinary Shares issued at their cum income undiluted NAV (as at the Calculation Date) as have an aggregate value equal to the FAV of their holding of Charter Shares (subject to rounding down in respect of fractional entitlements), and New Subscription Shares in the same ratio as the ratio of the Company's issued Ordinary Shares (excluding treasury shares) to Subscription Shares in issue on the Calculation Date (subject to rounding down in respect of fractional entitlements).

The assets to be transferred to the Company will comprise investments in quoted European companies and cash and/or near cash assets.

The Issue Shares are only available to Qualifying Charter Shareholders under the Charter Scheme. The Directors believe that the typical investors are likely to be institutional or private investors seeking exposure to a broad range of quoted European companies, who are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss which may result from an investment in the Company.

New Ordinary Shares to be issued

The number of New Ordinary Shares to be issued to Qualifying Charter Shareholders will be based on the FAV per Ordinary Share and the FAV per Charter Share. The FAV per Ordinary Share and the FAV per Charter Share will be calculated as at 5.00 p.m. on the Calculation Date using each company's respective accounting policies (which are substantially the same). Investments which are listed, quoted or traded on a recognised stock exchange will be valued by reference to the bid price on the principal stock exchange on which the relevant investment is listed, quoted or dealt.

The FAV per Ordinary Share for these purposes will be the cum income undiluted net asset value of an Ordinary Share as calculated on the Calculation Date.

The FAV per Charter Share will be calculated in accordance with the Charter Scheme and will be the net asset value of a Charter Share (including accrued income) adjusted to reflect the Net Costs in implementing the Proposals and the Liquidators' retention.

Qualifying Charter Shareholders will be issued such number of New Ordinary Shares as have (at the FAV per Ordinary Share) an aggregate FAV equal to the Total Charter FAV of their Charter Shares (subject to rounding down in respect of fractional entitlements).

The number of New Ordinary Shares to be issued pursuant to the Charter Scheme, the FAV per Ordinary Share and the FAV per Charter Share will be announced through a Regulatory Information Service as soon as practicable following the Calculation Date.

The New Ordinary Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares.

New Subscription Shares to be issued

New Subscription Shares will be issued to Qualifying Charter Shareholders in a ratio to their New Ordinary Shares equal to the ratio of the Company's Subscription Shares to Ordinary Shares in issue on the Calculation Date (subject to rounding down in respect of fractional entitlements). This will (save for the impact of any rounding down in relation to fractional entitlements) maintain the ratio of Subscription Shares to Ordinary Shares in issue in the Company and therefore ensure that the merger

has no material effect on the Company's diluted NAV per Ordinary Share from the perspective of the number of Subscription Shares in issue.

As at 23 January 2012 (being the latest practicable date prior to the publication of this document), the ratio of Subscription Shares to Ordinary Shares was 1:5.17.

Conditions of the Issue

The Issue is conditional upon:

- passing of the resolutions to approve the Charter Scheme at the general meetings of Charter Shareholders and the Charter Scheme becoming unconditional;
- passing of the Resolution, which includes the approval of the issue of the New Ordinary Shares and the New Subscription Shares, at the General Meeting which has been convened for 23 February 2012;
- admission of the New Ordinary Shares to the Official List with a Premium Listing and to the Main Market of the London Stock Exchange;
- admission of the New Subscription Shares to the Official List with a Standard Listing and to the Main Market of the London Stock Exchange; and
- the directors of Charter resolving to proceed with the Charter Scheme.

Unless the conditions referred to above have been satisfied or, to the extent permitted, waived on or before 15 March 2012, no part of the Proposals will become effective and the New Ordinary Shares and New Subscription Shares will not be issued.

If, within seven days of the passing of the special resolutions to be proposed at the first general meeting of Charter (or any adjournment thereof), dissenting shareholders of Charter validly exercise the right under Section 111(2) of the Insolvency Act 1986 in respect of more than 2 per cent. of the Charter Shares, or if the number of such dissenting shareholders represents more than 2 per cent. of the total number of members of Charter, the directors of Charter may, but shall not be obliged to, resolve not to proceed with the Charter Scheme (provided that such resolution is passed before the second general meeting of Charter).

COSTS AND EXPENSES OF THE PROPOSALS

If the Proposals become effective, existing Shareholders in the Company will not incur any costs in connection with the Proposals (save with respect to transferee transfer taxes payable on the transfer of Charter's assets to the Company which as at the date of this document are not expected to exceed £50,000).

If the Proposals do not become effective for any reason, the Company (and therefore existing Shareholders) will bear some costs and expenses. Such costs and expenses are not expected to exceed £85,000.

TENDER OFFER

In the context of its participation in the Charter Scheme, the Board intends to exercise its discretion to implement a Tender Offer in May 2012 to enable Shareholders (other than Restricted Shareholders) to tender all or part of their Ordinary Shares for cash, subject to a maximum of 20 per cent. in aggregate of the Ordinary Shares in issue (excluding treasury shares) at the relevant time. It is envisaged that the Charter Scheme will have been completed before the next Tender Offer is implemented so as to enable Shareholders (including Qualifying Charter Shareholders, but excluding Restricted Shareholders) to participate.

RISK FACTORS

The principal risk factors affecting the Shares which are known to the Directors are:

General

- Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's assets will occur or that the

investment objective of the Company will be achieved. Investors may not get back the full amount invested. The price of Ordinary Shares and the income, if any, from Ordinary Shares may go down as well as up.

- Changes in general economic conditions including, for example, interest rates, exchange rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax legislation and other factors can substantially and adversely affect equity investments and the Company's prospects.

Risks relating to the Proposals

- Under the terms of the Transfer Agreement, the Company will acquire certain assets of Charter. Charter's investment policy is similar to that of the Company and therefore the same risk factors shall apply to these investments.
- The NAV of an Ordinary Share and of a Charter Share will vary between the Calculation Date and the Effective Date and the net asset values may be lower or higher than the illustrative figures used in this document.

Risks relating to the Portfolio

- Shares in smaller capitalisation companies and developing European countries (in which the Company may invest) can prove volatile and this may be reflected in the Company's share price.
- Countries in developing Europe remain exposed to the risks of political change or periods of political uncertainty and the fiscal and monetary systems of such countries remain relatively underdeveloped compared with the UK, which may affect the stability of the economies and financial markets of such countries and adversely affect the value of the Company's assets.
- As the Company invests in securities which are denominated in currencies other than Sterling and whose operations are conducted in currencies other than Sterling, the Company will have an exposure to foreign exchange rate risk.
- Foreign exchange rate risk may increase the volatility of the Company's NAV per Share.

Ordinary Shares

- The Ordinary Share price is likely to fluctuate and may represent a discount or a premium to the NAV per Ordinary Share. This discount or premium is itself variable as conditions for supply and demand for the Company's Ordinary Shares change. This can mean that the Ordinary Share price can fall when the NAV rises, or vice versa.
- The Company may employ gearing from time to time, which may lead to an amplification of returns both upwards and downwards.
- Market liquidity in the shares of investment trusts is frequently inferior to the market liquidity in shares issued by larger companies traded on the London Stock Exchange.

Subscription Shares

- The Subscription Shares represent a geared investment and the market price of the Subscription Shares may be volatile.
- Movements in the price of Subscription Shares may not be in line with the movement in the price of the Ordinary Shares.
- Although Subscription Shares are tradable securities, the market liquidity of the Subscription Shares may be less than the market liquidity of Ordinary Shares.
- The Subscription Share Rights will lapse on 31 October 2012 and the Subscription Shares may have no value to holders after that date.
- The Subscription Shares, in so far as they give an entitlement to subscribe for Ordinary Shares, will be affected by the same risk factors as the Ordinary Shares.

Risks associated with the Manager

- The Company's ability to achieve its investment objective is largely dependent on the performance of the Manager in the acquisition and disposal of assets, management of such assets and the determination of any financing arrangements.
- There can be no guarantee that key personnel will remain with the Manager, and such a departure may have an adverse effect on the performance of the Company.
- The Manager and its affiliates may be involved in other financial, investment and professional activities that may on occasion give rise to conflicts of interest with the Company.
- In providing investment management, operational and financial advisory services to the Company, the Manager depends on a number of information technology systems. It is possible that a failure of some kind which causes disruptions to such systems could potentially harm the performance of the Company.

Taxation and regulatory

- As an investment trust the Company must comply with Chapter 4 of Part 24 of the Corporation Tax Act 2010. Were the Company to breach these provisions, it might lose investment trust status and, as a consequence, capital gains within the Company's portfolio might be subject to tax.
- Changes in taxation or the accounting policies of the Company could adversely affect Shareholders.

RISK FACTORS

The Directors consider the factors set out below to be those which potential investors should consider as the material risks specific to an investment in the Ordinary Shares and Subscription Shares. A shareholding in the Company is suitable only for investors capable of evaluating the risks and merits of such a shareholding and who have sufficient resources to bear any loss (including total loss) which may result from the shareholding. Prospective shareholders, therefore, should consult an independent financial adviser authorised under FSMA before investing. Furthermore, if Shareholders are in any doubt as to the consequences of acquiring, holding or disposing of Ordinary Shares or Subscription Shares or exercising the Subscription Share Rights they should consult an independent financial advisor authorised under FSMA.

The following risks are those which the Directors consider to be material relating to the Company, an investment in the Ordinary Shares and the Subscription Shares and investing in Europe (including greater Europe) as at the date of this document. Additional risks and uncertainties which are not currently known to the Directors, or that the Directors currently deem immaterial, may also have an effect on the Company's business or results of operation.

GENERAL

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's assets will occur or that the investment objective of the Company will be achieved. Investors may not get back the full amount invested. The price of Ordinary Shares and the income, if any, from Ordinary Shares may go down as well as up.

Changes in general economic conditions including, for example, interest rates, exchange rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax legislation and other factors can substantially and adversely affect equity investments and the Company's prospects.

RISKS RELATING TO THE PROPOSALS

The implementation of the Proposals is subject to a number of conditions, details of which are set out in Part II of this document, and there is no certainty that the Proposals will become effective. The implementation of the Proposals is conditional upon the passing of resolutions to approve the Charter Scheme at general meetings of Charter. The implementation of the Proposals is also conditional upon the Resolution being passed at the General Meeting. In the event that the Resolution is not passed, the Proposals will not be implemented.

Under the terms of the Transfer Agreement, the Company will acquire certain assets of Charter. Charter's investment policy is similar to that of the Company and following the transfer the Manager may, to the extent it considers appropriate, realign the assets transferred to the Company by Charter to ensure that the Company's portfolio reflects the Manager's current investment convictions. The same risk factors shall therefore apply to these investments as apply to the Company's existing investments as described below. The costs of any such portfolio realignment will be borne by the Company.

New Ordinary Shares will be issued to Qualifying Charter Shareholders on the basis of the respective formula asset values of each company calculated on the Calculation Date, further details of which are set out in the section entitled "New Ordinary Shares to be issued" in Part II of this document. The NAV of an Ordinary Share and of a Charter Share will vary between the Calculation Date and the Effective Date and the net asset values may be lower or higher than the illustrative figures used in this document.

The Proposals have been structured such that if they become effective, Shareholders should not suffer economic dilution of their interest in the Company. On the Proposals becoming effective, however, each Shareholder's proportion of the total voting rights in the capital of the Company will be diluted.

RISKS RELATING TO THE PORTFOLIO

Developing and emerging markets tend to be more volatile than more established stock markets and therefore present a greater degree of risk. Such risks may include:

- the economies may be more dependent on relatively few industries that may be highly vulnerable to local and global changes;
- these countries generally have less developed securities markets or exchanges, and legal and accounting systems;
- securities may be more difficult to sell at an acceptable price and may be more volatile than securities in countries with more mature markets;
- the value of developing or emerging market currencies may fluctuate more than the currencies of countries with more mature markets;
- investments in developing or emerging market countries may be subject to greater risks of government restrictions, including confiscatory taxation, expropriation or nationalisation of a company's assets, restrictions on foreign ownership of local companies and restrictions on withdrawing assets from the country; and
- investments in companies in emerging markets subjects the Company to a higher level of market risk than investment in more developed markets.

Smaller capitalisation companies

The Company invests in smaller capitalisation companies. As smaller companies do not have the financial strength, diversity and resources of larger companies, they may find it more difficult to operate in periods of economic slowdown or recession. In addition, the relatively small capitalisation of such companies could make the market in their shares less liquid and, as a consequence, their share price more volatile than investments in larger companies.

Stability of the Eurozone

A default by a member of the Eurozone on its government debt may have a material adverse effect on the value of the Euro and in the economies of its member states. As at the date of this document it is unclear to what extent the economies and political structure of European states may be affected by the financial crisis within the Eurozone and the measures that may be taken by state and supranational governmental organisations to attempt to address that crisis. The continued existence of the Euro as a currency in its current form is not certain. As the Company primarily invests in European companies and developing European markets, any instability in the Eurozone as set out above may have an adverse impact on the Company's earnings, performance or share price.

Securities markets of developing European countries

The securities markets of developing countries are not as large as the more established securities markets and have substantially less trading volume, which may result in a lack of liquidity and higher price volatility. There may be a high concentration of market capitalisation and trading volume in a small number of issuers representing a limited number of industries as well as a high concentration of investors and financial intermediaries. These factors may adversely affect the timing and price of the acquisition or disposal of these securities. In addition, an economic downturn or an increase in the real or perceived risks associated with global or regional developing markets could adversely affect the market prices of securities of companies in developing European countries even if the economy of that country remains stable.

The emerging markets in which the Company invests may be less regulated than many of the world's leading stock markets. In addition, market practices in relation to settlement of securities transactions and custody of assets in such markets can provide a material risk to the Company. Furthermore, due to the local postal and banking systems, no guarantee can be given that all entitlements attaching to securities acquired by the Company can be realised. None of the Company, the Custodian or any sub-custodian appointed, the Manager, or any of their agents makes any representation or warranty about, or any guarantee of the operation, performance or settlement, clearing and registration of transactions dealing in emerging markets.

Shareholders should be aware that safe custody of securities in emerging markets may involve risk and considerations which do not normally apply when settling transactions and providing safe custody

services in more developed countries. In circumstances such as the insolvency of a sub-custodian or registrar, or retroactive application of legislation, the Company may not be able to establish title to investments made and may suffer losses as a result. The Company may find it impossible to enforce its rights against third parties.

Reporting standards in countries of developing Europe

Accounting, auditing and financial reporting standards and practices and disclosure requirements applicable to many companies in developing Europe are less rigorous than those in the UK. To the extent that information pertaining to such companies is not disclosed or is inaccurate, the Company's Net Asset Value may not fully reflect the financial position of those companies.

Investment in Russia

The Company invests in Russian companies. Such investments may be affected by uncertainties such as economic, political or diplomatic developments, social and religious instability, taxation and interest rates, currency repatriation restrictions, crime and corruption and developments in law or regulations. In addition, these investments are currently subject to certain heightened risks with regard to the ownership and custody of securities. In Russia, this is evidenced by entries in the books of a company or its registrar. No certificates representing ownership of Russian companies are held by the Custodian or any correspondent or in an effective central depository system.

Foreign exchange rate risk

As the Company invests in Europe (including greater Europe) it invests in securities which are denominated in currencies other than Sterling, the Company's base currency, and whose operations are conducted in currencies other than Sterling. The Company will therefore have an exposure to foreign exchange rate risk as a result of changes, both unfavourable and favourable, in exchange rates between those currencies and Sterling. Foreign exchange rate risk may increase the volatility of the NAV per Ordinary Share. Although the Company has the ability to use financial instruments to mitigate its currency exposure to fluctuations in exchange rates it does not currently do so.

ORDINARY SHARES

The Company is an investment trust. Investment trusts aim to generate returns for shareholders by investing in other companies. As an investment trust may invest in a range of different companies, sectors and geographic regions, it may represent a method for investors to gain a diversified investment exposure. However, Shareholders should be aware of certain factors which apply to the Company and to investment trusts generally.

Discounts

The price of shares in an investment trust is determined by the interaction of supply and demand for such shares in the market as well as the net asset value per share. The share price can therefore fluctuate and may represent a discount or premium to the net asset value per Ordinary Share. This discount or premium is itself variable as conditions for supply and demand for the Company's Ordinary Shares change. This can mean that the Ordinary Share price can fall when the net asset value per share rises, or vice versa.

Gearing

Some investment trusts employ gearing, that is seeking to enhance returns to shareholders by borrowing funds for investment. Where an investment trust is geared, its net asset value and price performance would be expected to represent an amplification of any upward or downward movement in the investment trust's portfolio as a result of price changes of the investments contained therein.

Pursuant to the Articles, the net borrowings of the Company may not exceed 100 per cent. of the value of the gross assets of the Company. However, in normal market conditions, borrowings are not expected to exceed 15 per cent. of the value of the net assets of the Company at the time of draw down of the relevant borrowings.

Liquidity

The Company is a closed-ended vehicle. Accordingly, Shareholders have no right to have their Ordinary Shares or Subscription Shares repurchased by the Company at any time. Although the Company has put in place a regular tender offer mechanism, this is subject to the Directors exercising their discretion to operate a tender offer on the relevant occasion and is restricted to a maximum of 20 per cent. in aggregate of the Ordinary Shares in issue as at the regular tender offer calculation date. Shareholders wishing to realise their investment in the Company will therefore be required to dispose of their Ordinary Shares or Subscription Shares on the stock market.

Market liquidity in the shares of investment trusts is frequently inferior to the market liquidity in shares issued by larger companies traded on the London Stock Exchange. There can be no guarantee that a liquid market in the Ordinary Shares or the Subscription Shares will exist or be maintained. Accordingly, Shareholders may be unable to realise their Ordinary Shares at the quoted market price (or at the prevailing Net Asset Value per Ordinary Share) or their Subscription Shares at the quoted market price or, in either case, at all.

Interest rates

Interest rate movements may affect the level of income receivable on cash deposits and the interest payable on the Company's variable rate cash borrowings.

Calculation of net asset value

In calculating the Company's daily unaudited net asset value, the Manager, acting on behalf of the Company, may rely on estimates of the values of companies or their securities in which the Company invests. Such estimates may be unaudited or may be subject to little verification or other due diligence and may not comply with UK Generally Accepted Accounting Practice, International Financial Reporting Standards or other valuation principles.

Dividends and income

The Company's objective is to provide capital growth and not to provide any particular level of dividend. The Company may only pay dividends to the extent that it has distributable revenue profits available for that purpose. Under the Articles, the Company may not pay a dividend out of its capital reserves. As an investment trust the Company is required to distribute sufficient net income to ensure that it retains no more than 15 per cent. of its eligible investment income.

Dilution

The existence of the Subscription Shares means that the equivalent of 19.3 per cent. of the Company's issued ordinary share capital is under option. On each occasion the Subscription Shares Rights are exercised this will dilute the ordinary shareholding and hence the voting rights of any Ordinary Shareholders who do not exercise a corresponding proportion of the Subscription Share Rights attaching to their Subscription Shares or who have sold their Subscription Shares. However, if a Shareholder continues to hold the Subscription Shares issued to him and exercises his Subscription Share Rights before their expiry, that Shareholder's percentage interest in the ordinary share capital of the Company will not ultimately be reduced below his percentage interest in the ordinary share capital of the Company immediately prior to the issue of Subscription Shares to him.

The extent of such dilution will depend on the number of Subscription Shares which are converted on each occasion and the difference between the Subscription Price and the NAV per Ordinary Share prevailing at the time the new Ordinary Shares are issued pursuant to the exercise of the Subscription Share Rights. The perceived risk of dilution may cause the market price of the Ordinary Shares to reflect a lesser sensitivity to increases in the Net Asset Value per Ordinary Share than might otherwise be expected.

SUBSCRIPTION SHARES

Subscription Shares represent a geared investment, so a relatively small movement in the market price of the Ordinary Shares may result in a disproportionately large movement, unfavourable or favourable, in the market price of the Subscription Shares. The market price of the Subscription Shares may therefore be volatile.

Although the prices of Subscription Shares and Ordinary Shares are linked, since they share common price factors, the price of a Subscription Share may not move in line with that of an Ordinary Share because of other factors contributing to their respective prices, for example supply and demand. Further, the price of a Subscription Share is affected by factors that do not affect the Ordinary Share price, such as the remaining duration of the Subscription Share Rights.

The Company will apply for the Subscription Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The London Stock Exchange has the right to suspend or limit trading in a company's securities. Any suspension or limitation on trading in the Subscription Shares may affect the ability of Shareholders to realise their investment.

The published market price of the Subscription Shares will typically be their mid-market price. Due to the potential difference between the mid-market price of the Subscription Shares and the price at which Subscription Shares can be sold, there is no guarantee that the realisable value of the Subscription Shares will reflect their published market price.

In the case of any Subscription Shares whose Subscription Share Rights have not been exercised on or before the final date for exercising such rights, such Subscription Shares will cease to have any value unless a trustee appointed by the Company determines that the net proceeds of sale of the Ordinary Shares that would arise on the exercise of such rights, after deduction of all the costs and expenses of sale, would exceed the costs of exercise of such rights.

The market value of a Subscription Share will be determined by market forces, including the NAV and market price of an Ordinary Share, and there is no guarantee that the Subscription Shares will have a significant market value.

Although Subscription Shares are tradable securities, market liquidity of Subscription Shares may be less than the market liquidity of Ordinary Shares.

The Subscription Shares, in so far as they give an entitlement to subscribe for Ordinary Shares, are affected by the same risk factors as the Ordinary Shares as set out above.

RISKS ASSOCIATED WITH THE MANAGER

Dependence on Manager and fund managers

The Company's ability to achieve its investment objective is largely dependent on the performance of the Manager in the acquisition and disposal of assets, management of such assets and the determination of any financing arrangements. The Board will monitor the performance of the Manager but the Manager's performance cannot be guaranteed.

There can be no guarantee that any individual referred to in this document will remain with the Manager. The departure of either key fund manager, namely Vincent Devlin or Sam Vecht, may have an adverse effect on the performance of the Company.

Potential conflicts of interest

The Manager and its affiliates serve as manager to other clients and the Manager's organisational and ownership structure involves a number of relationships. For example, the Manager (and its affiliates) may have conflicts of interest in allocating their time and activity between the Company and their other clients, in allocating investments among the Company and their other clients and in effecting transactions between the Company and other clients, including ones in which the Manager (and its affiliates) may have a greater financial interest. The Manager and its affiliates may give advice or take action with respect to such other clients that differs from the advice given or action taken with respect to the Company.

The Manager and its affiliates may be involved in other financial, investment and professional activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and may continue to, provide investment management, investment advice or other services in relation to a number of other companies, funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive ad valorem and/or performance-related fees for doing so.

Furthermore, the Manager, Barclays PLC, the PNC Financial Services Group, Inc., their affiliates and their respective investment professionals and other employees may come into possession of material

non-public information. The possession of such information may potentially limit the ability of the Company to participate in an investment opportunity.

Please see paragraph 8 of Part V of this document for details on how the Company and the Manager manage these potential conflicts of interest.

Information technology systems

The Company is dependent on the Manager for investment management, operational and financial advisory services. The Company is also dependent on the Manager for certain management services as well as back-office functions. The Manager depends on information technology systems in order to assess investment opportunities, strategies and markets and to monitor and control risks for the Company.

It is possible that a failure of some kind which causes disruptions to these information technology systems could materially limit the ability of the Manager to adequately assess and adjust investments, formulate strategies and provide adequate risk control. Any such information technology related difficulty could harm the performance of the Company.

TAXATION AND REGULATORY

Chapter 4 of Part 24 of the Corporation Tax Act 2010

In order to qualify as an investment trust, the Company must comply with Chapter 4 of Part 24 of the Corporation Tax Act 2010 (as amended for accounting periods beginning on or after 1 January 2012). Were the Company to breach these provisions, it might lose investment trust status and, as a consequence, capital gains within the Company's portfolio might be subject to tax.

Exchange controls and withholding tax

The Company may from time to time purchase investments that will subject the Company to exchange controls or withholding taxes in various jurisdictions. In the event that exchange controls or withholding taxes are imposed with respect to any of the Company's investments, the effect will generally be to reduce the income received by the Company on such investments.

General taxation risks

Representations in this document concerning the taxation of Shareholders and the Company are based on current UK tax law and published practice. These are, in principle, subject to change (potentially with retrospective effect) and Shareholders should be aware that such changes may affect the Company's ability to generate returns for Shareholders and/or the taxation of such returns to Shareholders. **If you are in any doubt as to your tax position or if you are resident for tax purposes outside of the United Kingdom you should consult an appropriate independent professional adviser.**

Any change in the taxation legislation or taxation regime applicable to the Company (including failure by the Company to satisfy the conditions of Chapter 4 of Part 24 of the Corporation Tax Act 2010) could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders or alter the post-tax returns to Shareholders.

Alternative Investment Fund Managers Directive

The EU Directive on Alternative Investment Fund Managers ("**AIFM Directive**"), which is due to be transposed by EU Member States into national law in 2013, seeks to regulate investment fund managers (in this paragraph, "**AIFM**") established in the EU and prohibits such managers from managing any alternative investment fund (in this paragraph, "**AIF**") or marketing shares in such funds to investors in the EU unless an AIFM Directive authorisation is granted to the AIFM. In order to obtain such authorisation, and be able to manage the AIF, an AIFM will need to comply with various obligations in relation to the AIF and in relation to the conduct and operations of its own business, which may create significant additional compliance costs that may, where considered appropriate, be passed to investors in the AIFs managed by AIFMs.

Furthermore, if the AIFM does not or cannot obtain authorisation under the AIFM Directive, the marketing of Shares in the Company to investors in the EU may be prohibited or the ability to market

Shares in the Company may be impaired. This may adversely impact the Company's ability to raise further capital in future.

Moreover, if the Manager was to fail to, or be unable to, obtain an authorisation, it may be unable to continue to manage the Company or its ability to manage the Company may be impaired.

Any regulatory changes arising from implementation of the AIFM Directive and any derivative legislation or guidance (or otherwise) that impairs the ability of the Manager to manage the investments of the Company, or limit the Company's ability to market its Shares, may materially adversely affect the Company's ability to carry out its investment strategy and achieve its investment objective.

IMPORTANT NOTICES

Charter Shareholders should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Charter Shareholders should inform themselves as to: (a) the legal requirements within their own countries for the holding, transfer or other disposal of Ordinary Shares or Subscription Shares and the exercise of the Subscription Share Rights; (b) any foreign exchange restrictions applicable to the holding, transfer or other disposal of Ordinary Shares or Subscription Shares and the exercise of the Subscription Share Rights which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the holding, transfer or other disposal of Ordinary Shares or Subscription Shares or the exercise of the Subscription Share Rights. Charter Shareholders must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this document are based on the law and practice currently in force in England and Wales and are subject to changes therein.

FORWARD LOOKING STATEMENTS

This Prospectus contains forward looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement of the Company, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward looking statements.

Given these uncertainties, Charter Shareholders are cautioned not to place any undue reliance on such forward looking statements. These forward looking statements apply only as at the date of this Prospectus. Subject to its legal and regulatory obligations (including under the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules), the Company expressly disclaims any obligations to update or revise any forward looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based unless required to do so by law or any appropriate regulatory authority, including FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 6 of Part III of this document.

EXPECTED TIMETABLE

2012

First general meeting of Charter	10.00 a.m. on 15 February
Calculation Date	5.00 p.m. on 22 February
General Meeting of the Company	11.00 a.m. on 23 February
Second general meeting of Charter	10.00 a.m. on 24 February
Effective Date for the Charter Scheme	27 February
Admission and dealings commence in New Ordinary Shares and New Subscription Shares and CREST accounts credited to Qualifying Charter Shareholders in respect of New Ordinary Shares and New Subscription Shares issued in uncertificated form	8.00 a.m. on 27 February
Certificates despatched in respect of New Ordinary Shares and New Subscription Shares issued in certificated form	week commencing 5 March

Notes:

- (1) The times and dates set out in the expected timetable above may be adjusted by the Company, in which event details of the new dates will be notified to the UK Listing Authority and the London Stock Exchange and an announcement will be made through a Regulatory Information Service.
- (2) All references to time in this document are references to London time (unless otherwise stated).
- (3) In this document, where the context requires, references to 23 January 2012 should be treated as being references to the latest practicable date prior to publication of this document (unless otherwise stated).

DEALING CODES

	<i>Ordinary Shares</i>	<i>Subscription Shares</i>
ISIN	GB00B01RDH75	GB00B4P5BP99
SEDOL	BO1RDH7	B4P5B99
Ticker	BRGE	BRGS

DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

“2011 AGM”	the annual general meeting of the Company held on 30 November 2011
“Act”	the Companies Act 2006, as amended
“Admission”	the admission of the New Ordinary Shares and New Subscription Shares: (i) to the Official List; and (ii) to trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with the Listing Rules and the Admission and Disclosure Standards
“Admission and Disclosure Standards”	the admission and disclosure standards of the London Stock Exchange for securities admitted or seeking to be admitted to trading, as amended from time to time
“AGM” or “Annual General Meeting”	annual general meeting of the Company
“AIC Code”	the Association of Investment Companies Code of Corporate Governance, as amended from time to time
“Articles”	the articles of association of the Company, as amended from time to time
“Board” or “Directors”	the board of Directors of the Company or any duly constituted committee thereof
“Business Day”	any day on which banks are open for business in London (excluding Saturdays and Sundays)
“Calculation Date”	the time and date on which the value of Charter’s assets and the Company’s assets will be calculated for the purposes of the Charter Scheme and the Proposals (which is expected to be 5.00 p.m. on 22 February 2012)
“Chairman”	the chairman of the Company
“Charter”	Charter European Trust plc
“Charter Scheme” or “Scheme”	the scheme of reconstruction and voluntary winding-up of Charter under section 110 of the Insolvency Act 1986
“Charter Shareholders”	holders of Charter Shares
“Charter Shares”	ordinary shares of 1p each in the capital of Charter
“Circular”	the Circular published by the Company in connection with the issue of the New Ordinary Shares and New Subscription Shares dated 26 January 2012
“Collins Stewart”	Collins Stewart Europe Limited
“Company”	BlackRock Greater Europe Investment Trust plc
“CREST”	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations 2001
“CTA”	the Corporation Tax Act 2010
“Custodian”	The Bank of New York Mellon (International) Limited

“Custody Agreement”	the agreement between the Custodian and the Company regarding the custody of the assets of the Company, details of which are set out in paragraph 10.2 of Part V of this document
“developing Europe”	Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Israel, Kazakhstan, Kosovo, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Russia, Serbia, Turkey and Ukraine
“Disclosure and Transparency Rules”	the disclosure rules made by the FSA under Part VI FSMA
“EEA State”	a member state of the European Economic Area
“Effective Date”	the date on which the Charter Scheme becomes effective (which is expected to be 27 February 2012)
“Enlarged Company”	the Company following implementation of the Proposals
“Euroclear”	Euroclear UK & Ireland Limited, being the operator of CREST
“FAV”	the formula asset value of Charter or, as the context requires, the Company on the Calculation Date, calculated in accordance with the Charter Scheme
“FAV per Charter Share”	the adjusted net asset value of a Charter Share, calculated in accordance with the Charter Scheme
“FAV per Ordinary Share”	the cum income undiluted net asset value of an Ordinary Share as at the Calculation Date
“Financial Services Authority” or “FSA”	the single regulatory authority for the UK financial services industry
“FSMA”	the Financial Services and Markets Act 2000
“General Meeting”	the general meeting of the Company to consider the Resolution convened for 23 February 2012 at 11.00 a.m., or any adjournment thereof
“HMRC”	HM Revenue & Customs
“Index”	FTSE World Europe (ex UK) Index
“Issue”	the allotment and issue of New Ordinary Shares and New Subscription Shares pursuant to the Charter Scheme
“Issue Shares”	the New Ordinary Shares and New Subscription Shares
“ISA”	an individual savings account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
“ITA”	the Income Tax Act 2007
“Liquidation Fund”	the fund to be retained by the Liquidators in connection with the Charter Scheme to meet all known and unknown liabilities and other contingencies of Charter
“Liquidators” or “Charter Liquidators”	the liquidators of Charter
“Listing Rules”	the listing rules issued by the UK Listing Authority
“London Stock Exchange”	London Stock Exchange plc

“Management Agreement”	the agreement dated 14 October 2010 but with effect from 1 December 2009 (as amended on 12 October 2011) between the Manager and the Company, as amended from time to time, details of which are set out in paragraph 10.1 of Part V of this document
“Management Fee”	the fee payable by the Company to the Manager pursuant to the Management Agreement in consideration for the Manager managing and administering the Company’s assets
“Manager”	BlackRock Investment Management (UK) Limited
“Net Asset Value” or “NAV”	net asset value as calculated by the Directors in accordance with the Company’s accounting policies and the Articles or the value of the cum income net assets per Ordinary Share, as the context requires
“Net Costs”	all costs payable in connection with the implementation of the Proposals, excluding the £120,000 contributed towards such costs to be made by the Manager if the Charter Scheme becomes effective by way of a waiver of part of the Management Fee otherwise payable to it by the Company pursuant to the Management Agreement
“New Ordinary Shares”	new ordinary shares of 0.1p each in the capital of the Company issued pursuant to the Issue
“New Subscription Shares”	new subscription shares of 0.1p each in the capital of the Company issued pursuant to the Issue
“Notice of General Meeting”	the notice of General Meeting as set out in the Circular
“Official List”	the Official List maintained by the UK Listing Authority
“Ordinary Share”	an ordinary share of 0.1p each in the capital of the Company with ticker: BRGE and ISIN: GB00B01RDH75
“Ordinary Shareholders”	holders of Ordinary Shares
“Overseas Charter Shareholder”	any Charter Shareholder who is a citizen of, or resident in, a jurisdiction other than the United Kingdom, the Channel Islands or the Isle of Man
“Premium Listing”	a premium listing under Chapter 15 of the Listing Rules (for a closed-ended company)
“Proposals”	the proposals for the issue of New Ordinary Shares and New Subscription Shares pursuant to the Charter Scheme
“Prospectus”	this document
“Prospectus Rules”	the rules and regulations made by the FSA under Part V of FSMA (as amended from time to time)
“Qualifying Charter Shareholders”	all Charter Shareholders other than the Restricted Charter Shareholders
“Receiving Agent”	Computershare Investor Services PLC
“Register”	the register of members of the Company
“Registrar”	Computershare Investor Services PLC
“Regulatory Information Service”	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock Exchange
“Resolution”	the resolution to be proposed at the General Meeting, as summarised in paragraph 3.8 of Part V of this document and as set out in full in the Notice of General Meeting

“Restricted Charter Shareholder”	(unless the directors of Charter or the Company otherwise determine in a particular case) a Charter Shareholder with a registered address outside of the United Kingdom, the Channel Islands or the Isle of Man or any Charter Shareholder whom Charter believes to be an Overseas Charter Shareholder or to be holding Charter Shares on behalf of an Overseas Charter Shareholder
“Restricted Shareholder”	A shareholder who is resident in, or a citizen of, any of the Restricted Territories
“Restricted Territories”	any of the following territories: the United States, Australia, Canada, Japan
“Rollover Fund”	the fund comprising the pool of Charter’s assets to be transferred to the Company pursuant to the Transfer Agreement
“Secretary”	BlackRock Investment Management (UK) Limited
“Securities Act”	the US Securities Act of 1933, as amended
“Shareholder”	a holder of Ordinary Shares and/or Subscription Shares, as the context requires
“Shares”	the Ordinary Shares and/or the Subscription Shares, as the context requires
“SIPP”	self invested personal pension
“Standard Listing”	a standard listing under Chapter 14 of the Listing Rules
“Sterling”	the lawful currency of the United Kingdom
“Subscription Date”	each of 30 April 2012, 31 July 2012 and 31 October 2012
“Subscription Price”	the price at which the Subscription Share Rights are exercisable in accordance with the rights attaching to the Subscription Shares (and subject to adjustment in accordance with those rights), being 183p per Ordinary Share
“Subscription Shareholders”	holders of Subscription Shares
“Subscription Share Rights”	the right conferred by each Subscription Share to subscribe for one Ordinary Share as contained in the Articles
“Subscription Shares”	the subscription shares of 0.1p each in the capital of the Company with ISIN: GB00B4P5BP99
“Tender Offer”	a tender offer which may, at the Directors’ discretion, be made by the Company on a semi-annual basis to enable Shareholders (other than Restricted Shareholders) to tender all or part of their Ordinary Shares for cash, in accordance with the detailed terms and conditions set out in the relevant Tender Offer Circular
“Tender Offer Circular”	a circular published by the Company and sent to Shareholders in connection with a Tender Offer
“TGCA”	the Taxation of Chargeable Gains Act 1992
“Total Charter FAV”	in relation to a Charter Shareholder’s holding of Charter Shares, the FAV per Charter Share multiplied by the number of Charter Shares held by such Charter Shareholder
“Transfer Agreement”	the agreement proposed to be entered into on or about the Effective Date between, <i>inter alios</i> , the Company, the Liquidators (in their personal capacity on behalf of Charter) and Charter, details of which are set out in paragraph 10.4 of Part V of this document

“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Corporate Governance Code”	the Financial Reporting Council's UK Corporate Governance Code
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of admissions to the Official List
“US Person”	as defined in Regulation S under the Securities Act
“VAT”	UK value added tax

DIRECTORS, MANAGER AND ADVISERS

Directors	John Walker-Haworth (<i>Chairman</i>) Carol Ferguson Gerald Holtham Davina Curling
Registered Office	<i>all of:</i> 12 Throgmorton Avenue London EC2N 2DL
Manager and Company Secretary	BlackRock Investment Management (UK) Limited 12 Throgmorton Avenue London EC2N 2DL
Sponsor	Collins Stewart Europe Limited 88 Wood Street London EC2V 7QR
Legal Advisers to the Company	Herbert Smith LLP Exchange House Primrose Street London EC2A 2HS
Auditors	Ernst & Young LLP 1 More London Place London SE1 2AF
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ
Custodian and Principal Banker	The Bank of New York Mellon (International) Limited One Canada Square London E14 5AL Telephone: +44 (0) 20 7570 1784

PART I

BLACKROCK GREATER EUROPE INVESTMENT TRUST PLC

INTRODUCTION AND REASONS FOR THE ISSUE

The Company is a UK investment trust with an indefinite life, which was established on 1 June 2004 as a successor company to Merrill Lynch European Investment Trust plc.

The Company's investment objective is the achievement of capital growth, primarily through investment in a focused portfolio constructed from a combination of the securities of large, mid and small capitalisation European companies, together with some investment in the developing markets of Europe.

The Company also has the flexibility to invest in any country included in the FTSE World Europe (ex UK) Index, as well as the freedom to invest in developing countries not included in the Index but considered by the Manager and the Directors as part of greater Europe.

As at 23 January 2012 (being the latest practicable date prior to the publication of this document), the Company had an unaudited NAV of 178.24p, 94,873,100 Ordinary Shares (excluding treasury shares) and 18,342,725 Subscription Shares in issue, net assets of £169,100,700 and a market capitalisation of £164,130,000.

As announced on 15 December 2011, the Company has reached agreement in principle with Charter, an investment trust managed by RCM (UK) Limited which invests principally in the shares of quoted European companies, in respect of a merger of the assets of each of the Company and Charter through a scheme of reconstruction and winding-up of Charter. It is proposed that UK resident or ordinarily resident Qualifying Charter Shareholders will be provided with a tax-efficient rollover into the Company.

The Company is publishing this document in connection with the issue of the New Ordinary Shares and New Subscription Shares pursuant to the Proposals.

INVESTMENT POLICY

The Company's policy is that the portfolio should consist of approximately 30 to 70 securities and the majority of the portfolio will be invested in larger capitalisation companies, being companies with a market capitalisation of over €5 billion. Up to 25 per cent. may be invested in companies in developing Europe (as defined on page 18 of this document) with the flexibility to invest up to 5 per cent. of the portfolio in unquoted investments. However, overall exposure to developing European companies and unquoted investments together will not exceed 25 per cent. of the Company's portfolio.

Investment in developing European securities may be either direct or through other funds, including those managed by the Manager, subject to a maximum of 15 per cent. of the portfolio.

Direct investment in Russia is limited to 10 per cent. of the Company's assets. Investments may also include depositary receipts or similar instruments representing underlying securities. The Company also has the flexibility to invest up to 20 per cent. of the portfolio in debt securities, such as convertible bonds and corporate bonds. The use of any derivative instruments such as financial futures, options and warrants and the entering into of stock lending arrangements will only be for the purposes of efficient portfolio management.

While the Company may hold shares in other investment companies (including investment trusts), the Company will not invest more than 10 per cent., in aggregate, of the value of its total assets in other listed closed-ended investment funds (save to the extent that such closed-ended investment funds have published investment policies to invest no more than 15 per cent. of their total assets in such other listed closed-ended investment funds).

The Company achieves an appropriate spread of risk by investing in a diversified portfolio of securities. The Company may, from time to time, use borrowings to gear its investment policy or in order to fund the market purchase of its own Ordinary Shares. Under the Articles, the net borrowings of the

Company may not exceed 100 per cent. of the value of the gross assets of the Company. However, in normal market conditions, borrowings are not expected to exceed 15 per cent. of the value of the net assets of the Company at the time of draw down of the relevant borrowings. This gearing typically is in the form of an overdraft which can be repaid at any time.

The Manager generally aims to be fully invested but a net cash position may be held when it is considered advantageous to do so. The Manager may also from time to time choose to hold fixed income securities as an alternative to holding cash.

The Company's financial statements are presented in Sterling. Although the majority of the investments are denominated and quoted in currencies other than Sterling and the Company has the ability to use financial instruments to mitigate their exposure to currency fluctuations in exchange rates, it does not currently do so.

Any material changes to the investment policy must be approved by Shareholders in accordance with the Listing Rules.

INVESTMENT PORTFOLIO

Set out below is a comprehensive and meaningful analysis of the Company's portfolio as at 23 January 2012. As at the close of business on 23 January 2012 (being the latest practicable date prior to the publication of this document) the Company's 20 largest investments by value, which together represented 69.0 per cent. of the unaudited assets of the Company at that date, were as follows:

TOP TWENTY INVESTMENTS

<i>Security issuer</i>	<i>% of net assets</i>	<i>% of the issued company's shares held</i>
Nestle	7.0	0.01
Roche	5.5	0.01
Novo Nordisk	5.4	0.03
Allianz	3.8	0.02
Ahold	3.6	0.06
Pernod Ricard	3.5	0.04
LVMH Moet Hennessy Louis Vuitton	3.4	0.01
ENI	3.4	0.01
Syngenta	3.4	0.03
Danone	3.3	0.02
DnB NOR	3.1	0.05
Fresenius	3.1	0.05
Anheuser-Busch	2.8	0.01
Vopak	2.8	0.11
Legrand	2.7	0.08
Arcelormittal	2.6	0.02
Reed Elsevier	2.6	0.08
Ryanair	2.5	0.09
Kone	2.3	0.05
GAM	2.2	0.24
	69.0	

All investments are in ordinary shares

Total investments	95.3
Net current assets	4.7
Net assets	100.0

Geographical Analysis

	<i>% of net assets as at 23 January 2012</i>
Switzerland	21.3
Germany	13.7
France	12.9
Netherlands	9.7
Denmark	5.4
Sweden	3.6
Spain	3.4
Norway	3.3
Belgium	3.1
Luxembourg	2.8
Ireland	2.6
Finland	2.5
Italy	2.4
Portugal	2.1
Czech Republic	1.5
Kazakhstan	1.4
Russia	1.0
Israel	1.0
Hungary	1.0
Turkey	0.6
Grand Total	95.3
Net current assets	4.7
Total	100.0

Currency Analysis

	<i>% of net assets as at 23 January 2012</i>
Euro	61.2
Swiss Franc	21.5
Danish Krone	5.4
Swedish Krona	3.6
US Dollars	3.3
Norwegian Krone	3.2
Czeck Koruna	1.5
Hungarian Forint	1.1
Turkish Lira	0.6
Sterling	(1.4)
Total	100.0

Sector Analysis

	<i>% of net assets as at 23 January 2012</i>
Consumer Goods	22.5
Health Care	16.3
Industrials	15.4
Financials	14.0
Consumer Services	8.6
Oil & Gas	7.5
Basic Materials	6.0
Technology	2.5
Utilities	1.5
Telecommunications	1.0
Grand Total	95.3
Net current assets	4.7
Total	100.0

Unless otherwise indicated, the information set out above is unaudited and has been extracted from internal management accounts maintained by the Company.

INVESTMENT OUTLOOK

Having received advice from the Manager, the Board remains positive on the outlook for the Company. The European economic environment has been challenging. However, in the view of the Manager, Europe contains many attractively valued companies with strong balance sheets and global franchises which in many cases also offer high dividend yields. The region offers a diverse range of opportunities and the Manager is looking to invest in 30 to 70 stocks across the broader greater European region that are positioned relatively strongly to deliver profit growth over the medium to long term.

CAPITAL STRUCTURE

Share capital

The Company's issued share capital comprises Ordinary Shares, which are listed on the Official List with a Premium Listing, and Subscription Shares, which are listed on the Official List with a Standard Listing. Both the Ordinary Shares and the Subscription Shares are admitted to trading on the Main Market.

Rights attaching to the New Ordinary Shares

The New Ordinary Shares will rank equally in all respects with the existing issued Ordinary Shares, including the right to receive all dividends and other distributions (if any) declared by reference to a record date falling on or after the Effective Date.

Details of the rights attaching to the New Ordinary Shares are set out in Part V of this document.

Rights attaching to the New Subscription Shares

The New Subscription Shares will rank equally with each other and the existing Subscription Shares.

The New Subscription Shares will not rank for any dividends or other distributions declared, paid or made by the Company. Ordinary Shares allotted pursuant to the exercise of Subscription Share Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares prior to the relevant allotment date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the relevant allotment date.

Details of the rights attaching to the New Subscription Shares are set out in Part IV of this document.

SHARE ALLOTMENTS AND AUTHORITIES

Shareholder resolutions were passed at the 2011 AGM granting the Directors authority to allot securities in the Company up to an aggregate amount of £4,879 (being 5 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at 12 October 2011), such authority to lapse at the annual general meeting of the Company to be held in 2012.

While the Directors intend to allot New Ordinary Shares and New Subscription Shares under the Proposals, the existing authority to allot Ordinary Shares referred to above does not take into account the allotment of the Issue Shares pursuant to the Charter Scheme. Shareholders are therefore being asked to authorise the Directors to allot:

- up to 40,000,000 Ordinary Shares, having an aggregate nominal value of approximately £40,000, which represents 42.2 per cent. of the Company's issued ordinary share capital (excluding treasury shares) as at the date of this document, in connection with the Charter Scheme;
- in addition to the authority set out in the immediately preceding paragraph, Ordinary Shares with a maximum nominal amount of £6,743 or, if less, 5 per cent. of the total ordinary share capital in issue (excluding treasury shares) immediately following the implementation of the Proposals; and
- up to 8,000,000 Subscription Shares, having an aggregate nominal value of approximately £8,000, which represents 43.6 per cent. of the Company's issued subscription share capital as at the date of this document (and up to 8,000,000 Ordinary Shares, having an aggregate nominal value of £8,000, which represents 8.4 per cent. of the Company's issued ordinary share capital (excluding treasury shares) as at the date of this document, in connection with the exercise of Subscription Share Rights), in connection with the Charter Scheme.

These authorities, if granted, will lapse at the conclusion of the annual general meeting of the Company to be held in 2012.

The Directors are also seeking the authority of Shareholders to:

- allot up to 8,000,000 Subscription Shares, having an aggregate nominal value of £8,000 (and 8,000,000 Ordinary Shares, having an aggregate nominal value of £8,000, in connection with the exercise of the Subscription Share Rights) in connection with the Charter Scheme;
- allot, in addition to the authority referred to above, up to 6,743,000 Ordinary Shares with a maximum nominal amount of £6,743 or, if less, 5 per cent. of the total ordinary share capital in issue (excluding treasury shares) immediately following the implementation of the Proposals; and
- resell any Ordinary Shares held by the Company in treasury,

for cash without first offering such Ordinary Shares and/or Subscription Shares to Shareholders pro rata to their existing holdings of Ordinary Shares and/or Subscription Shares. If granted, this authority to allot or sell from treasury such Ordinary Shares and/or allot such Subscription Shares will lapse at the conclusion of the Company's annual general meeting to be held in 2012.

SHARE BUY BACKS

Shareholder resolutions were passed at the 2011 AGM granting the Company authority to make market purchases of: (i) Ordinary Shares representing (subject to certain conditions) up to 14.99 per cent. of the Company's then issued ordinary share capital; and (ii) Subscription Shares representing (subject to certain conditions) up to 14.99 per cent. of the Company's then issued subscription share capital. The Company's respective authorities to repurchase Ordinary Shares and Subscription Shares are due to expire at the conclusion of the next annual general meeting of the Company to be held in 2012, unless previously renewed.

These authorities do not take into account the allotment of the Issue Shares pursuant to the Charter Scheme. Accordingly, the Company is proposing to renew these authorities to buy back up to 14.99 per cent. of the ordinary share capital and subscription share capital respectively which will be in issue immediately following the implementation of the Proposals.

The making and timing of any share buy backs will be at the absolute discretion of the Board and will be subject to the requirements of the 2006 Act and the Listing Rules. The maximum price which may be paid for purchases of Ordinary Shares or Subscription Shares (as applicable) through the market will not exceed the higher of: (i) 5 per cent. above the average of the middle market quotations (as derived from the Official List) for the relevant shares for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and (ii) the higher of the price quoted for (a) the last independent trade of, or (b) the highest current independent bid for, any number of Ordinary Shares or Subscription Shares (as applicable) on the trading venue where the purchase is carried out. In addition, repurchases of Ordinary Shares will only be made in the market at prices below the prevailing NAV per Ordinary Share.

It is anticipated that authorisation for repurchases of both Ordinary Shares and Subscription Shares will be sought at the annual general meetings of the Company in 2012 and beyond.

Repurchased Ordinary Shares will either be held in treasury or cancelled. Purchases of Ordinary Shares to be held in treasury will be made in accordance with the Listing Rules and the Companies (Acquisitions of Own Shares) (Treasury Shares) Regulations 2003 (as amended).

Any Subscription Shares repurchased by the Company will be cancelled and shall not be held in treasury for re-issue or resale. The ability to repurchase Subscription Shares will allow the Board to manage the dilutive effect of the Subscription Shares when there is little demand for them through the market.

TENDER OFFER

Subject to certain limitations and the Directors exercising their discretion to operate Tender Offers, Shareholders (other than Restricted Shareholders) may on a semi-annual basis tender for purchase all or part of their holdings of Ordinary Shares for cash. A maximum of 20 per cent. in aggregate of the Ordinary Shares in issue at the relevant time may be purchased pursuant to a Tender Offer. If the Directors exercise their discretion to implement a Tender Offer, Shareholders will be entitled to have up to 20 per cent. of their respective holdings (the “**Basic Entitlement**”) purchased under the Tender Offer and will be able to tender additional Ordinary Shares, but such excess tender will only be satisfied (on a pro rata basis) to the extent that other Shareholders tender less than their Basic Entitlement. The price at which the Ordinary Shares are purchased pursuant to a Tender Offer is the prevailing Net Asset Value per Ordinary Share as at the close of business on the relevant Tender Offer calculation date (calculated on a fully diluted basis), subject to a discount of 2 per cent. (to cover the costs of the Tender Offer). Subject to the Directors’ discretion being exercised on any relevant occasion, the Tender Offers are effected such that the Tender Offer calculation date is 31 May and 30 November each year (or the succeeding Business Day).

In the context of its participation in the Scheme, the Board intends to exercise its discretion to implement a Tender Offer in May 2012 to enable Shareholders (other than Restricted Shareholders) to tender all or part of their Ordinary Shares for cash, subject to a maximum of 20 per cent. in aggregate of the Ordinary Shares in issue (excluding treasury shares) at the relevant time.

As such, Shareholders are now being requested to renew the general authorities granted to the Board at the 2011 AGM to repurchase Ordinary Shares pursuant to two Tender Offers in 2012, provided that: (i) the maximum number of Ordinary Shares purchased will not exceed 20 per cent. of the Ordinary Shares in issue as at the relevant Tender Offer calculation date (excluding any Ordinary Shares held in treasury); (ii) the price paid for such Ordinary Shares will be an amount equal to the Net Asset Value per Ordinary Share (calculated on a fully diluted basis) at the close of business on 31 May 2012 or 30 November 2012, as the case may be, less a discount of 2 per cent.; and (iii) the authorities expire on 31 July 2012 and 31 January 2013 respectively (unless such authorities are renewed prior to each relevant date) save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

It is envisaged that the Scheme will have been completed before the next Tender Offer is implemented so as to enable Shareholders (including Qualifying Charter Shareholders, but excluding Restricted Shareholders) to participate.

The detailed terms and conditions on which Tender Offers will be made by the Company, and the limitations on participation in the Tender Offer by Restricted Shareholders, will be set out in the relevant Tender Offer Circular.

MANAGEMENT OF THE COMPANY

The Board

The Board consists of four non-executive Directors, all of whom are considered to be independent of the Manager, including the Chairman.

The Directors are responsible for determining the Company's investment policy and have overall responsibility for the Company's activities.

The Directors of the Company are as follows:

John Walker-Haworth (*Chairman*) has over 40 years' experience in investment banking and the financial services industry. From 1997 to 2006 he was deputy chairman of the Panel on Takeovers and Mergers.

Carol Ferguson is the chairman of the Company's Audit and Management Engagement Committee. She is a qualified accountant and has over 25 years' experience in the investment and financial services industry. She is a non-executive director of several companies including Monks Investment Trust PLC, Standard Life UK Smaller Companies Trust PLC and Invesco Asia Trust plc. She is also on the board of Vernalis plc.

Gerald Holtham is managing partner of Cadwyn Capital LLP. From 2000 to 2004 he was the chief investment officer of Morley Fund Management and formerly a global strategist at Norwich Union Investment Management and a managing director at Lehman Brothers, Europe. From 1976 to 1985, he worked at the Organisation for Economic Co-operation and Development (OECD) in Paris, heading the General Economics Division from 1982 to 1985. He is a visiting professor at Cardiff University Business School.

Davina Curling has over 20 years' experience of investment management, most recently as Managing Director and Head of Pan European Equities at Russell Investments. Prior to this she was Head of European Equities at F&C, ISIS, Royal & SunAlliance and Nikko Capital Management (UK). She is also a non-executive director of Invesco Income Growth Trust plc.

The Manager

The Company is managed by BlackRock Investment Management (UK) Limited, a company incorporated in England and Wales on 16 May 1986 under the Companies Act 1985 as a private company with registered number 02020394. The Manager, with its affiliated global entities, had approximately US\$3.513 trillion of funds under management as at 31 December 2011. The Manager manages assets for open-ended and closed-ended funds, and institutional and private clients throughout the world. Nine of the funds under management are investment trusts, investing in Europe, Latin America and globally in various sectors, with assets ranging from approximately £76 million to £1,480 million (information in relation to funds under management has been sourced from the Manager).

The Company's investments in large capitalisation companies and developing European companies are managed by the European Equity Style Diversified and Emerging Europe specialist teams at BlackRock Investment Management (UK) Limited.

The two portfolio managers with primary responsibility for the day-to-day management of the Company's portfolio are Vincent Devlin and Sam Vecht, who have 17 and 11 years' industry experience respectively. Vincent Devlin oversees the Continental Europe portion of the portfolio and Sam Vecht oversees the Emerging Europe portion of the portfolio. Compliance with the Company's investment restrictions and guidelines is monitored continuously and reported to the Board on a quarterly basis.

PERFORMANCE

Total return performance (unaudited) in Sterling to 23 January 2012, %

	3 months	6 months	1 year	3 years	5 years
NAV per Ordinary Share ⁽¹⁾	1.86	−12.27	−12.37	51.03	14.57
Price per Ordinary Share ⁽¹⁾	−1.70	−11.85	−13.28	41.87	12.38
FTSE World Europe (ex UK) Index (£) ⁽²⁾	1.23	−10.57	−12.03	33.18	0.05

(1) Source: Manager, unaudited.

(2) Source: Datastream, unaudited.

The above table represents the performance of the Company and its performance benchmark at a particular point in time. There can be no guarantee that the Company's performance will be replicated over future time periods, including both in the short-term and the long-term.

DIVIDEND POLICY

The Company is managed to produce capital growth and not to produce any particular level of dividend. The Company will only pay dividends to the extent that it has distributable revenue profits available for that purpose and under the Articles may not pay a dividend out of its capital reserves. As an investment trust the Company is required by the provisions of Chapter 4 of Part 24 of the Corporation Tax Act 2010 (as such provisions apply to accounting periods beginning before 1 January 2012) to distribute sufficient net income to ensure that it retains no more than 15 per cent. of its eligible investment income. For accounting periods beginning on or after 1 January 2012, the Company will be required to retain no more than 15 per cent. of all income, in order to maintain investment trust status.

ADMINISTRATION AND COMPANY SECRETARIAL ARRANGEMENTS

Under the Management Agreement, the Manager provides all services of a company secretarial, accounting and administrative nature (excluding registration services) to the Company (including the calculation of the NAV of the Ordinary Shares). The Manager receives an aggregate fee for all its services provided under the Management Agreement including the discretionary management of the Company's assets. Full details of the fees provided for by the Management Agreement are contained in paragraph 10.1 of Part V of this document.

ACCOUNTING POLICY

The Company prepares its accounts in accordance with UK GAAP and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued by the Association of Investment Companies and which was revised in January 2009.

REPORTS TO SHAREHOLDERS AND ANNUAL GENERAL MEETINGS

The Company's annual report and accounts are prepared up to 31 August each year and it is expected that copies will be sent to Shareholders in October. The Company's annual general meetings are usually held in November or December of each year.

ADDITIONAL INFORMATION

Potential investors should consider the information set out in Parts II to VI of this document and the risk factors set out on pages 8 to 14 of this document.

PART II

DETAILS OF THE ISSUE

THE CHARTER SCHEME AND THE ISSUE SHARES

It is proposed that investment in the Company will be offered through a scheme of reconstruction and winding-up of Charter European Trust plc (“**Charter**”), an investment trust managed by RCM (UK) Limited which invests primarily in the shares of quoted European companies. Pursuant to the Proposals, the Company will acquire substantially all of Charter’s assets (apart from those retained in the Liquidation Fund) in consideration for the issue of New Ordinary Shares and New Subscription Shares to all Qualifying Charter Shareholders. Qualifying Charter Shareholders will be offered such number of New Ordinary Shares issued at their cum income undiluted NAV (as at the Calculation Date) as have an aggregate net asset value equal to the FAV of their holding of Charter Shares (subject to rounding down in respect of fractional entitlements), together with New Subscription Shares in the same ratio to the New Ordinary Shares as the ratio of the Company’s issued Subscription Shares to Ordinary Shares (excluding treasury shares) in issue on the Calculation Date (subject to rounding down in respect of fractional entitlements).

The assets to be transferred to the Company will comprise investments in quoted European companies and cash and/or near cash assets.

The Issue Shares are only available to Qualifying Charter Shareholders under the Charter Scheme. The Directors believe that the typical investors are likely to be institutional or private investors seeking exposure to a broad range of quoted European companies, who are capable of evaluating the risks and merits of an investment in the Company and who have sufficient resources to bear any loss which may result from an investment in the Company.

As a result of the Charter Scheme the total assets of the Company, and therefore its issued share capital, will increase, and the resulting improvement in liquidity should benefit all Shareholders. In addition the fixed costs of the Company will be spread over a larger pool of assets, resulting in a lower total expense ratio.

The Charter Scheme is subject to, amongst other things, the approval of Charter Shareholders and the approval of the Proposals by the Shareholders of the Company.

New Ordinary Shares to be issued

The number of New Ordinary Shares to be issued to Qualifying Charter Shareholders will be based on the cum income undiluted Net Asset Value of an Ordinary Share (the “**FAV per Ordinary Share**”) and the adjusted net asset value (including accrued income) of a Charter Share (the “**FAV per Charter Share**”). The FAV per Ordinary Share and the FAV per Charter Share will be calculated as at 5.00 p.m. on the Calculation Date using each company’s respective accounting policies (which are substantially the same). Investments which are listed, quoted or traded on a recognised stock exchange will be valued by reference to the bid price on the principal stock exchange on which the relevant investment is listed, quoted or dealt.

The FAV per Ordinary Share for these purposes will be the cum income undiluted net asset value of an Ordinary Share as calculated on the Calculation Date.

The FAV per Charter Share will be calculated in accordance with the Charter Scheme and will be the net asset value of a Charter Share (including accrued income) adjusted to reflect the Net Costs in implementing the Proposals and the Liquidators’ retention.

Qualifying Charter Shareholders will be issued such number of New Ordinary Shares as have (at the FAV per Ordinary Share) an aggregate FAV equal to the Total Charter FAV of their Charter Shares (subject to rounding down in respect of fractional entitlements).

The number of New Ordinary Shares to be issued pursuant to the Charter Scheme, the FAV per Ordinary Share and the FAV per Charter Share will be announced through a Regulatory Information Service as soon as practicable following the Calculation Date.

The New Ordinary Shares will rank *pari passu* in all respects with the existing issued Ordinary Shares.

For illustrative purposes only, had the Calculation Date been 23 January 2012 (being the latest practicable date prior to the publication of this document) the FAV per Ordinary Share and FAV per Charter Share would have been 178.24p and 220.85p, respectively. As at the same date, the mid-market share prices for the Ordinary Shares, the Subscription Shares and the Charter Shares were 173p, 7.5p and 210.5p, respectively. The Proposals would have resulted in the issue of 27,376,474 New Ordinary Shares to Qualifying Charter Shareholders, representing approximately 22.4 per cent. of the issued ordinary share capital of the Enlarged Company (excluding treasury shares).

New Subscription Shares to be issued

New Subscription Shares will be issued to Qualifying Charter Shareholders in a ratio to their New Ordinary Shares equal to the ratio of the Company's Subscription Shares to Ordinary Shares in issue on the Calculation Date (subject to rounding down in respect of fractional entitlements). This will (save for the impact of any rounding down in relation to fractional entitlements) maintain the ratio of Subscription Shares to Ordinary Shares in issue in the Company and therefore ensure that the merger has no material effect on the Company's diluted NAV per Ordinary Share.

As at 23 January 2012 (being the latest practicable date prior to the publication of this document), the ratio of Subscription Shares to Ordinary Shares was 1:5.17.

Conditions of the Issue

The Issue is conditional upon:

- passing of the resolutions to approve the Charter Scheme at the general meetings of Charter Shareholders and the Charter Scheme becoming unconditional;
- passing of the Resolution, which includes the approval of the issue of the New Ordinary Shares and the New Subscription Shares, at the General Meeting which has been convened for 23 February 2012;
- admission of the New Ordinary Shares to the Official List with a Premium Listing and to the Main Market of the London Stock Exchange;
- admission of the New Subscription Shares to the Official List with a Standard Listing and to the Main Market of the London Stock Exchange; and
- the directors of Charter resolving to proceed with the Charter Scheme.

Unless the conditions referred to above have been satisfied or, to the extent permitted, waived on or before 15 March 2012, no part of the Proposals will become effective and the New Ordinary Shares and New Subscription Shares will not be issued.

If, within seven days of the passing of the special resolutions to be proposed at the first general meeting of Charter (or any adjournment thereof), dissenting shareholders of Charter validly exercise the right under Section 111(2) of the Insolvency Act 1986 in respect of more than 2 per cent. of the Charter Shares, or if the number of such dissenting shareholders represents more than 2 per cent. of the total number of members of Charter, the directors of Charter (or a duly authorised committee thereof) may, but shall not be obliged to, resolve not to proceed with the Charter Scheme. Any such resolution by the directors of Charter (or a duly authorised committee thereof) shall only be effective if passed prior to the passing of the special resolution for winding-up Charter to be proposed at the second general meeting of Charter (or any adjournment thereof).

Costs and expenses of the Proposals

If the Proposals become effective, existing Shareholders in the Company will not incur any costs in connection with the Proposals (save with respect to transferee transfer taxes payable on the transfer

of Charter's assets to the Company which as at the date of this document are not expected to exceed £50,000).

If the Proposals do not become effective for any reason, the Company (and therefore existing Shareholders) will bear some costs and expenses. Such costs and expenses are not expected to exceed £85,000.

Admission and dealings

Applications will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium segment of the Official List and for the Subscription Shares to be admitted to the standard segment of the Official List. Applications will also be made to the London Stock Exchange for the New Ordinary Shares and Subscription Shares to be admitted to trading on the Main Market. If the Proposals become effective, it is expected that the New Ordinary Shares and Subscription Shares will be admitted to the Official List on, and the first day of dealings in such shares on the Main Market will be, 27 February 2012.

FURTHER INFORMATION ON THE ISSUE

New Ordinary Shares

The number of New Ordinary Shares to be issued pursuant to the Charter Scheme will be calculated on the Calculation Date.

For illustrative purposes only, had the Calculation Date been 23 January 2012 (being the latest practicable date prior to the publication of this document) and assuming that the FAV per Ordinary Share were 178.24p and the FAV per Charter Share were 220.85p, the number of New Ordinary Shares to be issued pursuant to the Charter Scheme would have been 27,376,474.

The Company will announce, through a Regulatory Information Service, the number of New Ordinary Shares to be issued pursuant to the Issue and the basis upon which they will be allotted as soon as practicable after the Calculation Date (and, in any event, prior to the commencement of dealings in the New Ordinary Shares on the Main Market (which is expected to be on 27 February 2012)).

The New Ordinary Shares are only being made available to Qualifying Charter Shareholders pursuant to the Charter Scheme. The New Ordinary Shares are not being offered to the existing holders of Ordinary Shares or to the public.

Full details of the Charter Scheme are set out in the circular to Qualifying Charter Shareholders dated 26 January 2012, a copy of which is available for inspection as stated in paragraph 17 of Part V of this document.

New Subscription Shares

The number of New Subscription Shares to be allotted pursuant to the Issue will be calculated on the Calculation Date.

For illustrative purposes only, had the Calculation Date been 23 January 2012 (being the latest practicable date prior to the publication of this document) and assuming that: (i) the FAV per Ordinary Share were 178.24p and that the FAV per Charter Share were 220.85p; and (ii) the ratio of Subscription Shares to Ordinary Shares in issue were 1:5.17, the number of New Subscription Shares to be issued pursuant to the Issue would have been 5,293,003.

The Company will announce, through a Regulatory Information Service, the number of New Subscription Shares to be issued pursuant to the Issue and the basis upon which they will be allotted as soon as practicable after the Calculation Date (and, in any event, prior to the commencement of dealings in the New Subscription Shares on the Main Market (which is expected to be on 27 February 2012)).

The New Subscription Shares are only being made available to Qualifying Charter Shareholders pursuant to the Proposals. The New Subscription Shares are not being offered to the public.

General

The Issue has not been underwritten.

No action has been taken to permit a public offering of New Ordinary Shares or New Subscription Shares in any jurisdiction, other than the United Kingdom, the Channel Islands and the Isle of Man where action for that purpose would be required. This prospectus does not constitute, and may not be used for the purpose of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

INFORMATION ON CHARTER'S PORTFOLIO

As at 23 January 2012 (being the latest practicable date prior to the publication of this document), Charter had unaudited total assets of approximately £49.5 million. Of those assets, 94.47 per cent. was invested in quoted securities and the balance was held in cash and near cash assets. The assets of Charter to be acquired by the Company pursuant to the Proposals will comprise cash or near cash assets and investments in quoted European companies, and are being acquired in accordance with the Company's investment policy. Following the implementation of the Charter Scheme, the Manager may, to the extent it considers appropriate, realign the assets transferred to the Company by Charter to ensure that the Company's portfolio reflects the Manager's current investment convictions. The costs of any such portfolio realignment will be borne by the Company.

The following table shows the composition by size of investment of Charter's portfolio as at 23 January 2012 (being the latest practicable date prior to the publication of this document):

<i>Investee Company</i>	<i>Sector Classification</i>	<i>Valuation (£)</i>	<i>% of portfolio</i>
Sanofi-Aventis	Pharmaceuticals & Biotechnology	2,129,568	4.5
Bayer	Chemicals	1,953,306	4.1
Roche Holdings	Pharmaceuticals & Biotechnology	1,941,258	4.2
Novartis	Pharmaceuticals & Biotechnology	1,918,460	4.1
Koninklijke DSM	Chemicals	1,910,992	4.1
Continental	Automobiles & Parts	1,875,590	4.0
Bwin.Party Digital	Travel & Leisure	1,723,153	3.7
BASF	Chemicals	1,649,972	3.5
Fresenius Medical Care	Healthcare Equipment & Services	1,637,987	3.5
Credit Suisse Group	Banks	1,592,795	3.4
Top ten investments		18,333,081	39.1
Yara International	Chemicals	1,566,845	3.4
Rio Tinto	Mining	1,556,026	3.3
Ryanair	Travel & Leisure	1,467,304	3.1
Marine Harvest	Food Producers	1,436,242	3.1
Petroceltic	Oil & Gas Producers	1,287,493	2.8
Galp Energia	Oil & Gas Producers	1,284,466	2.7
Saipem	Oil Equipment, Services & Distribution	1,278,152	2.7
ASM International	Technology Hardware & Equipment	1,254,721	2.7
Storebrand	Life Insurance	1,214,452	2.6
African Barrick	Mining	1,210,000	2.6
Top twenty investments		31,898,782	68.1
Siemens	General Industrials	1,173,724	2.5
Randgold	Resources Mining	1,124,526	2.4
Barco	Electronic & Electrical Equipment	1,099,492	2.4
Royal Dutch Shell 'A' shares	Oil & Gas Producers	1,092,243	2.3
Aixtron	Technology Hardware & Equipment	1,069,416	2.3
Michelin	Automobiles & Parts	1,063,530	2.3
Alliance	Oil Oil & Gas Producers	1,029,813	2.2
Allianz	Nonlife Insurance	996,505	2.1
EDP Renovaveis	Electricity	971,678	2.1
S.A. D'Ieteren	Trading General Retailers	960,594	2.1
Top thirty investments		42,480,303	90.8

<i>Investee Company</i>	<i>Sector Classification</i>	<i>Valuation (£)</i>	<i>% of portfolio</i>
Powszechny Zaklad	Nonlife Insurance	925,983	2.0
Upm-Kymmene	Forestry & Paper	878,165	1.9
Borders & Southern Petroleum	Oil & Gas Producers	767,905	1.6
Total	Oil & Gas Producers	742,007	1.6
Powszechna Kasa	Banks	715,753	1.5
3Legs Resources	Oil & Gas Producers	264,859	0.6
Total Portfolio		46,764,975	100.0

The following table shows the composition by sector of Charter's portfolio as at 23 January 2012 (being the latest practicable date prior to the publication of this document) and a comparison against the FTSE World Europe (ex UK) Index:

<i>Sector</i>	<i>Charter portfolio*</i> %	<i>FTSE World Europe Index (£)</i> %
Basic Materials	23.5	7.9
Consumer Goods	9.3	12.7
Consumer Services	8.9	9.7
Financials	11.6	19.5
Healthcare	16.3	8.6
Industrials	6.7	12.1
Oil and Gas	16.6	10.9
Technology	5.0	10.6
Telecommunications	0.0	4.2
Utilities	2.1	3.8
Total	100	100

*Excludes fixed income

Note:

The information in relation to Charter's portfolio in this Part II has been provided to the Company by Charter and has not been subject to an audit or any independent verification.

OVERSEAS CHARTER SHAREHOLDERS

The terms of the Proposals, as they relate to Overseas Charter Shareholders, may be affected by the laws of the relevant jurisdiction. Overseas Charter Shareholders should inform themselves about, and observe, any applicable legal requirements.

It is the responsibility of Overseas Charter Shareholders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Proposals, including the obtaining of any governmental or other consents which may be required, compliance with necessary formalities and the payment of any issue, transfer or other taxes due in such jurisdiction.

Overseas Charter Shareholders should note, however, that if they have a registered address in a Restricted Territory, they are not meant to receive this document relating to the Proposals, and will receive cash in Charter's liquidation. Further, should the directors of the Company or Charter or the Liquidators believe that any New Ordinary Shares and New Subscription Shares would otherwise be issued to persons who are, or would hold on behalf of, an Overseas Charter Shareholder then, under the terms of the Charter Scheme, in circumstances where: (i) the Liquidators and/or the Board, acting reasonably, consider that the issue of New Ordinary Shares and New Subscription Shares to such Charter Shareholder would or may involve a breach of the securities laws or regulatory requirements of an overseas jurisdiction; and (ii) the Liquidators and/or the Board (as the case may be) have not been provided with evidence reasonably satisfactory to the Liquidators and the Board that such Overseas Charter Shareholder is permitted to hold the New Ordinary Shares and New Subscription Shares under the relevant securities laws or regulations of such overseas jurisdiction, the New Ordinary Shares and New Subscription Shares to which such Overseas Charter Shareholder would

otherwise be entitled pursuant to the Charter Scheme will be issued to a marker maker who will sell such New Ordinary Shares and New Subscription Shares promptly at the best price obtainable. The proceeds of such sales will be paid to the relevant Overseas Charter Shareholders entitled to them within 10 Business Days of the date of sale, save that entitlements of less than £5.00 per investor will be retained by the Company for its own account.

Overseas Charter Shareholders who are subject to taxation outside of the United Kingdom should consult their tax adviser as to the tax effect of the Proposals on them.

Further information in relation to Overseas Charter Shareholders is set out in paragraph 15 of Part V of this document.

TAXATION

The attention of Shareholders is drawn to the summary of United Kingdom tax matters set out in paragraph 11 of Part V of this document.

Shareholders should note that Subscription Shares are qualifying investments for the stocks and shares component of an ISA, but that exercise of Subscription Share Rights may affect the annual subscription limit available for further investment into an ISA in the relevant year.

Potential investors should seek tax advice from their own professional adviser about the taxation consequences of acquiring, holding or disposing of Ordinary Shares or Subscription Shares.

GENERAL MEETING

The Proposals are conditional on, amongst other things, the approval by Shareholders of the Resolution to be proposed at the General Meeting of the Company that has been convened for 23 February 2012.

Full details of the Resolution being proposed are set out in the Circular, a copy of which is available for inspection as stated in paragraph 17 of Part V of this document.

TENDER OFFER

Subject to certain limitations and the Directors exercising their discretion to operate Tender Offers, Shareholders (other than Restricted Shareholders) may on a semi-annual basis tender for purchase all or part of their holdings of Ordinary Shares for cash. A maximum of 20 per cent. in aggregate of the Ordinary Shares in issue at the relevant time may be purchased pursuant to a Tender Offer. If the Directors exercise their discretion to implement a Tender Offer, Shareholders will be entitled to have up to 20 per cent. of their respective holdings (the “**Basic Entitlement**”) purchased under the Tender Offer and will be able to tender additional Ordinary Shares, but such excess tender will only be satisfied (on a pro rata basis) to the extent that other Shareholders tender less than their Basic Entitlement. The price at which the Ordinary Shares are purchased pursuant to a Tender Offer is the prevailing Net Asset Value per Ordinary Share as at the close of business on the relevant Tender Offer calculation date (calculated on a fully diluted basis), subject to a discount of 2 per cent. (to cover the costs of the Tender Offer). Subject to the Directors’ discretion being exercised on any relevant occasion, the Tender Offers are effected such that the Tender Offer calculation date is 31 May and 30 November each year (or the succeeding Business Day).

In the context of its participation in the Charter Scheme, the Board intends to exercise its discretion to implement a Tender Offer in May 2012 to enable Shareholders (other than Restricted Shareholders) to tender all or part of their Ordinary Shares for cash, subject to a maximum of 20 per cent. in aggregate of the Ordinary Shares in issue (excluding treasury shares) at the relevant time.

As such, Shareholders are now being requested to renew the general authorities granted to the Board at the 2011 AGM to repurchase Ordinary Shares pursuant to two Tender Offers in 2012, provided that: (i) the maximum number of Ordinary Shares purchased will not exceed 20 per cent. of the Ordinary Shares in issue as at the relevant Tender Offer calculation date (excluding any Ordinary Shares held in treasury); (ii) the price paid for such Ordinary Shares will be an amount equal to the Net Asset Value per Ordinary Share (calculated on a fully diluted basis) at the close of business on 31 May 2012 or 30 November 2012, as the case may be, less a discount of 2 per cent.; and (iii) the authorities expire

on 31 July 2012 and 31 January 2013 respectively (unless such authorities are renewed prior to each relevant date) save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

It is envisaged that the Charter Scheme will have been completed before the next Tender Offer is implemented so as to enable Shareholders (including Qualifying Charter Shareholders, but excluding Restricted Shareholders) to participate.

The detailed terms and conditions on which Tender Offers will be made to by the Company, and the limitations on participation in the Tender Offer by Restricted Shareholders, will be set out in the relevant Tender Offer Circular.

PART III

FINANCIAL INFORMATION (INCLUDING PORTFOLIO INFORMATION)

1. Statutory accounts for the three financial years ended 31 August 2009, 2010 and 2011

Statutory accounts of the Company for the three financial years ended 31 August 2009, 2010 and 2011, in respect of which the Company's auditors, Ernst & Young LLP, have given unqualified opinions that the accounts give a true and fair view of the state of affairs of the Company and of its total return and cash flows for each of the three financial years ended 31 August 2009, 2010 and 2011 and which have been properly prepared in accordance with the Act and UK GAAP, have been incorporated into this document by reference.

Ernst & Young LLP is a member of the Institute of Chartered Accountants in England and Wales.

2. Published annual reports and accounts for the three financial years ended 31 August 2009, 2010 and 2011

2.1 Historical financial information

The published annual reports and audited accounts for the Company for the three financial years ended 31 August 2009, 2010 and 2011 which have been incorporated in this document by reference, included, on the pages specified in the table below, the following information:

	<i>Annual report and accounts for the year ended 31 August (audited)</i>		
	<i>2009</i>	<i>2010</i>	<i>2011</i>
<i>Nature of Information</i>	<i>Page No(s)</i>	<i>Page No(s)</i>	<i>Page No(s)</i>
Income statement	27	27	28
Reconciliation of movement in Shareholders' funds	28	28	29
Balance sheet	29	29	30
Cash flow statement	30	30	31
Accounting policies	31-32	31-32	32-33
Notes to the accounts	31-45	31-44	32-46
Independent auditors' report	26	26	27
Chairman's statement	4	4	4
Manager's report	5-6	5-6	5-6
Directors' report	12-18	12-18	12-18

2.2 Selected financial information

The key audited figures that summarise the Company's financial condition in respect of the three financial years ended 31 August 2009, 2010 and 2011 which have been extracted without material adjustment from the historical financial information referred to in paragraph 2.1 of this Part III, are set out in the following table:

<i>Annual report and accounts for the year ended 31 August (audited)</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>
Net asset value per share (pence)	172,713 164.29	174,375 176.06	178,535 186.25 (basic) 185.73 (diluted)
<i>Revenue</i>			
Total income (£'000)	5,644*	4,558	8,183
Net profit/(loss) (£'000)	3,519	3,194	6,581
Earnings per share (pence)	3.26	3.13	6.77 (basic) 6.69 (diluted)
Dividend per share (pence)	3.15	3.30	2.50 (special) 3.50 (final)
<i>Total</i>			
Total income/(loss) (£'000)	(2,971)*	18,386	17,528
Net profit/(loss) (£'000)	(5,694)*	15,682	14,111
Earnings per share (pence)	(5.28)*	15.39	14.51 (basic) 14.35 (diluted)

*includes the write back of prior years' VAT.

2.3 **Operating and financial review**

The Company's published financial statements for the three financial years ended 31 August 2009, 2010 and 2011 included, on the pages specified in the table below: descriptions of the Company's financial condition (in both capital and revenue terms); details of the Company's investment activity and portfolio exposure; and changes in its financial condition for each of those periods.

<i>Annual report and accounts for the year ended 31 August (audited)</i>			
	<i>2009</i>	<i>2010</i>	<i>2011</i>
Nature of Information	Page No(s)	Page No(s)	Page No(s)
Chairman's statement	4	4	4
Manager's report	5-6	5-6	5-6
Portfolio report	7-10	6-10	7-10
Portfolio analyses	8-10	7-10	8-10
Performance, discount and financial record	3	3	3

The issue of the New Subscription Shares itself will have no material impact on the Company's assets, earnings or liabilities. Where Subscription Share Rights are exercised, the total assets of the Company will increase by the number of Ordinary Shares that are issued upon such exercise multiplied by the Subscription Price. It is not expected that the exercise of Subscription Share Rights will have any material impact on the earnings and liabilities per Ordinary Share as a result of any exercise of Subscription Share Rights as the net proceeds resulting from such exercise are expected to be invested in accordance with the investment objective and policy of the Company.

2.4 **Availability of annual reports and accounts for inspection**

Copies of the Company's annual reports and audited accounts for the three financial years ended 31 August 2009, 2010 and 2011 are available for inspection at the address set out in paragraph 17 of Part V of this document.

3. **Significant change**

Since 31 August 2011 (being the last date in respect of which the Company has published financial information) there has been no significant change in the financial or trading position of the Company.

4. Significant gross change

The Proposals will constitute a significant gross change in relation to the Company. Had the Proposals been undertaken at the date of this document and had the Company completed the acquisition of substantially all of Charter's assets on that date, the effect of this significant gross change would have been: (i) to increase the net assets of the Company by the net assets of Charter (after deduction of any amounts appropriated to the Liquidation Fund), less the aggregate costs and expenses associated with the Proposals; and (ii) to spread the fixed costs of the Company over a larger asset base. The Proposals are not expected to have a material impact on the Company's earnings per share.

5. Capitalisation and indebtedness

The following table, sourced from the Company's internal accounting records, shows the Company's unaudited indebtedness (distinguishing between guaranteed and unguaranteed, secured and unsecured indebtedness) as at 23 January 2012 (being the latest practicable date prior to the publication of this document) and the Company's audited capitalisation as at 31 August 2011 (being the last date in respect of which the Company has published financial information).

	<i>23 January 2012 (unaudited)</i> £'000
<i>Total current debt</i>	
Guaranteed/secured	0
Unguaranteed/unsecured	0
<i>Total Non-Current Debt</i>	
Guaranteed/secured	0
Unguaranteed/unsecured	0
	<i>31 August 2011 (audited)</i> £'000
<i>Shareholder equity</i>	
Share capital	116
Special reserve	60,284
Capital reserves	105,230
Capital redemption reserve	68
Revenue reserve	10,024
Share premium account	2,813

As at 23 January 2012 (being the latest practicable date prior to the publication of this document), there has been no material change in the capitalisation of the Company since 31 August 2011 (being the last date in respect of which the Company has published financial information).

The following table shows the Company's unaudited net indebtedness as at 23 January 2012 (being the latest practicable date prior to the publication of this document).

		<i>23 January 2012 (unaudited)</i>
		<i>£'000</i>
A.	Cash	11,361
B.	Cash equivalent	0
C.	Trading securities	0
D.	Liquidity (A+B+C)	11,361
E.	Current financial receivables	780
F.	Current bank debt	0
G.	Current portion of non-current debt	0
H.	Trading securities payable	0
I.	Other current financial debt	4,266
J.	Current financial debt (F+G+H+I)	4,266
K.	Net current financial indebtedness (J-E-D)	(7,875)
L.	Non-current bank loans	0
M.	Bonds issued	0
N.	Other non-current loans	0
O.	Non-current financial indebtedness (L+M+N)	0
P.	Net financial indebtedness (K+O)	(7,875)

6. Working capital

In the Company's opinion, the Company has sufficient working capital for its present requirements, that is, for at least the 12 months following the date of this document.

PART IV

PARTICULARS OF THE SUBSCRIPTION SHARES

Conditional upon the passing of the Resolution at the General Meeting and Admission, the New Subscription Shares are expected to be issued to Qualifying Charter Shareholders on 23 February 2012 and will carry the rights described below, as set out in the Articles.

1. Subscription Share Rights

- (a) A registered holder for the time being of a Subscription Share (a **"Subscription Shareholder"**) shall have a right (**"Subscription Share Right"**) exercisable quarterly on 31 January, 30 April, 31 July and 31 October between 31 October 2010 and 31 October 2012 (the **"Final Subscription Date"**), both dates inclusive, (any date on which exercise occurs being described as a **"Subscription Date"** and if any such date is not a Business Day, the succeeding Business Day) to subscribe for all or any of the Ordinary Shares to which his Subscription Shares relate at the price per Ordinary Share to be determined by the Company as being equal to the unaudited published Net Asset Value attributable to one Ordinary Share as at the close of business on 26 July 2010 plus a one per cent. premium to such value, rounded up to the nearest whole penny (the **"Subscription Price"**).

The Subscription Price shall be payable in full in Sterling on subscription.

Each Subscription Share relates to one Ordinary Share, but the Subscription Price (and/or the number of Subscription Shares outstanding) will be subject to adjustment as provided in paragraph 2 below.

The **"Net Asset Value"** or **"NAV"** for the purpose of calculating the Subscription Price means the unaudited value of all the Company's assets calculated in accordance with the Company's accounting policies (including revenue items for the current financial year) less all prior charges and other creditors at their fair value (including the costs of the Issue). Prior charges include all loans and overdrafts that are to be used for investment purposes. **"Business Day"** means any day on which banks are open for business in London (excluding Saturdays, Sundays and public holidays).

The Subscription Price was announced via a Regulatory Information Service on 28 July 2010.

- (b) Subscription Shares will be issued in registered form and may be held in either certificated form (**"Certificated Subscription Shares"**) or uncertificated form (**"Uncertificated Subscription Shares"**). In the case of:
- (A) Certificated Subscription Shares, a Subscription Shareholder will be entitled to a share certificate in respect of his holding of Subscription Shares; and
- (B) Uncertificated Subscription Shares, a Subscription Shareholder's title to such Subscription Shares will be recorded in the relevant register as being held in such form as will by virtue of the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (**"Regulations"**) enable the transfer of title to the Subscription Shares to be effected without a written instrument by means of a relevant electronic system (a **"Relevant Electronic System"**).
- (c) In order to exercise, in whole or in part, the Subscription Share Rights which are conferred by any Certificated Subscription Shares, the Subscription Shareholder must lodge the relevant Subscription Share certificate(s) (or such other document(s) as the Directors may, in their absolute discretion, accept) at the office of the registrar for the time being of the Company (the **"Registrar"**) during the period of 28 days ending at 5.00 p.m. on the relevant Subscription Date between 31 October 2010 and 31 October 2012 (both dates inclusive), having completed the notice of exercise of Subscription Share Rights thereon (or by giving such other notice of exercise of Subscription Share Rights as the Directors may, in their absolute discretion, accept), accompanied by a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised. Any notice of exercise

received after 5.00 p.m. on any Business Day will be treated as having been exercised on the following Business Day. The Directors may accept as valid, notices of exercise of Subscription Share Rights which are received after the relevant Subscription Date provided they are accompanied by the correct remittance, as described above. Once lodged, a notice of exercise of Subscription Share Rights shall be irrevocable save with the consent of the Directors. To be effective, compliance must also be made with any statutory and regulatory requirements for the time being applicable.

- (d) The Subscription Share Rights which are conferred by any Uncertificated Subscription Shares shall be exercisable, in whole or in part, (and treated by the Company as exercised) on the relevant Subscription Date if, not later than 5.00 p.m. on the relevant Subscription Date between 31 October 2010 and 31 October 2012 (both dates inclusive): (i) an Uncertificated Subscription Notice is received as referred to below; and (ii) a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Share Rights are being exercised is received by the Company (or by such person as it may require for these purposes). For these purposes, an **"Uncertificated Subscription Notice"** shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company (or by such person as it may require for these purposes) in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the regulations and the facilities, rules and requirements of the Relevant Electronic System). The Directors may, in addition but subject to the regulations and facilities and requirements of the Relevant Electronic System, determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and any such remittance is to be treated as received by the Company or by such person as it may require for these purposes. Without prejudice to the generality of the foregoing, the effect of the Uncertificated Subscription Notice may be such as to divest the holder of the Subscription Shares concerned of the power to transfer such Subscription Shares to another person. Once lodged, an Uncertificated Subscription Notice shall be irrevocable save with the consent of the Directors. To be effective, compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- (e) Not later than 30 days before the Final Subscription Date, the Company shall give notice in writing to the holders of the outstanding Subscription Shares reminding them of their Subscription Share Rights and, in relation to any Uncertificated Subscription Shares, stating the form of Uncertificated Subscription Notice prescribed by the Directors.
- (f) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Certificated Subscription Shares will be allotted within ten Business Days of the relevant Subscription Date. The Ordinary Shares arising on exercise of the Subscription Share Rights shall be allotted with effect from the date of their allotment (and not the date upon which the notice of exercise is given or deemed given in accordance with paragraph 1(c) above). Certificates in respect of such Ordinary Shares, together, if applicable, with a new certificate for the balance of any Certificated Subscription Shares in respect of which the Subscription Share Rights have not been exercised, will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant allotment date to the person(s) in whose name(s) the Subscription Share is registered at the date of exercise (and, if more than one, to the first-named, which shall be sufficient despatch for all) or (subject as provided by law and to the payment of stamp duty reserve tax or any other tax as may be applicable) to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the Registrar (and, if more than one, to the first-named, which shall be sufficient despatch for all).
- (g) Ordinary Shares issued pursuant to the exercise of Subscription Share Rights which are conferred by any Uncertificated Subscription Shares will be allotted within ten Business Days of the relevant Subscription Date. The Ordinary Shares arising on exercise of the Subscription Share Rights shall be allotted with effect from the date of their allotment (and not the date upon which the Uncertified Subscription Notice is given or deemed given in accordance with

paragraph 1(d) above). The Company shall procure that the appropriate instructions are given to enable such Ordinary Shares to be credited in uncertificated form to the relevant account within the Relevant Electronic System of the person(s) in whose name(s) the Subscription Shares in respect of which the Subscription Share Rights have been exercised were registered as at the date of such exercise or (subject as provided by law, to the payment of stamp duty reserve tax or any other tax as may be applicable, to such terms and conditions as the Directors may from time to time prescribe for this purpose, to the regulations, and the facilities, rules and requirements of the Relevant Electronic System) to such other person(s) (not being more than four in number) as may be named in the properly authenticated dematerialised instruction and/or other instruction or notification in such form.

- (h) For the avoidance of doubt, unless the Directors otherwise determine or unless the regulations or the facilities, rules or requirements of the Relevant Electronic System otherwise require, the Ordinary Shares issued on the exercise of any Subscription Share Rights shall be issued in certificated form where such Subscription Share Rights were conferred by Certificated Subscription Shares and in uncertificated form where such Subscription Share Rights were conferred by Uncertificated Subscription Shares.
- (i) Ordinary Shares allotted pursuant to the exercise of Subscription Share Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant allotment date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with the Ordinary Shares in issue at the relevant allotment date.
- (j) For so long as the Company's Ordinary Shares are admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities, it is the intention of the Company to apply: (i) to the UK Listing Authority for the Ordinary Shares allotted pursuant to any exercise of Subscription Share Rights to be admitted to the Official List; and (ii) to the London Stock Exchange for such shares to be admitted to trading on the London Stock Exchange's main market for listed securities. The Ordinary Shares arising pursuant to any exercise of Subscription Share Rights will be allotted subject to admission to the Official List and to trading on the London Stock Exchange's main market for listed securities. "**Official List**" for this purpose means the official list of the UK Listing Authority. "**UK Listing Authority**" for this purpose means the Financial Services Authority of the United Kingdom acting in its capacity as the competent authority for the purposes of Part V of the Financial Services and Markets Act 2000.
- (k) Each notice of exercise of Subscription Share Rights and each Uncertificated Subscription Notice will be deemed to contain a representation that at the time of submission to the Company, the holder of the Subscription Shares concerned is not a US Person (as defined below) or a person in Canada, Australia or Japan or, if he is such a person, his exercise of Subscription Share Rights is permitted by, and will not infringe, the securities laws of the relevant jurisdiction.
- (l) Without prejudice to the generality of the final sentences of paragraphs 1(c) and 1(d) above, upon exercise of any Subscription Share Rights, each Subscription Shareholder will be deemed to have represented, acknowledged and agreed that: (i) it and the person, if any, for whose account or benefit it is holding the Shares is not a US Person and is not in the United States, Canada, Australia or Japan; (ii) it acknowledges that the Company reserves the right to make inquiries of any holder of the Subscription Shares or interests therein at any time as to such person's status under the US federal securities laws and to require any such person that has not satisfied the Company that the holding by such person will not violate or require registration under US federal securities laws to transfer such Shares or interests immediately under the direction of the Company; and (iii) it agrees to comply with the transfer restrictions set out under the heading "Transfer Restrictions" in Part VI of this document and will notify the Company if it is holding in contravention of such transfer restrictions. As used herein, "**US Person**" means any person or entity defined as such in Rule 902 (o) under the Securities Act and, without limiting the generality of the foregoing, US Person includes a natural person resident in the United

States, a corporation, partnership or other entity created, organised or incorporated under the laws of the United States (including any State thereof) and an estate or trust, if any executor, administrator or trustee is a US Person, but shall not include a branch or agency of a US Person located outside the United States if such agency or branch operates for valid business reasons and is engaged in the business of insurance or banking and is subject to substantive insurance or banking regulation, respectively, in the jurisdiction where located and “**United States**” means the United States of America (including the States thereof and the District of Columbia), its territories and possessions or other areas subject to its jurisdiction.

2. Adjustments of Subscription Share Rights

The Subscription Price (and/or the number of Subscription Shares outstanding) shall from time to time be adjusted in accordance with the provisions of this paragraph 2:

- (a) If and whenever there shall be an alteration on a date (or by reference to a record date) on or before the Final Subscription Date in the nominal amount of the Ordinary Shares as a result of a consolidation or sub-division, the Subscription Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which (x) the numerator shall be the nominal amount of one such Ordinary Share immediately after such alteration and (y) the denominator shall be the nominal amount of one such Ordinary Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares credited as fully paid by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend) on a date (or by reference to a date) on or before the Final Subscription Date, the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which (x) the numerator shall be the aggregate nominal amount of the issued Ordinary Shares immediately before such allotment and (y) the denominator shall be the aggregate nominal amount of the issued and allotted Ordinary Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- (c) If on a date (or by reference to a record date) on or before the Final Subscription Date, the Company makes any offer or invitation (whether by way of rights issue, open offer or otherwise but not being an offer made in connection with scrip dividend arrangements) to the holders of the Ordinary Shares (subject to such exclusions as may be necessary to deal with legal, regulatory or practical problems in any jurisdiction) to subscribe for new Ordinary Shares or for securities convertible into or exchangeable for Ordinary Shares or conferring rights to subscribe for Ordinary Shares, or any offer or invitation (not being an offer to which paragraph 3(f) below applies) is made to such holders otherwise than by the Company, then the Company shall, so far as it is able, procure that at the same time the same offer or invitation is made to the then Subscription Shareholders as if their Subscription Share Rights had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which the same could have been exercised on that date, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Subscription Shareholders but the Subscription Price shall be adjusted:
 - (i) in the case of an offer of new Ordinary Shares for subscription (by way of a rights issue or open offer) at a price less than the net asset value per Ordinary Share as at the close of business on the Business Day immediately preceding the date of announcement of the terms (including the pricing) of the offer (the “**Pricing Date**”) (a “**Dilutive Ordinary Share Offer**”), by multiplying the Subscription Price in force immediately before the Pricing Date by a fraction of which (x) the numerator is the Fully Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date and (y) the denominator is the Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date; and

- (ii) in the case of an offer under which securities convertible into, or exchangeable for, Ordinary Shares or conferring rights of subscription for Ordinary Shares are offered by the Company (by way of a rights issue or open offer) and the price at which such securities are convertible into or exchangeable for Ordinary Shares or the price at which Ordinary Shares may be subscribed pursuant to the rights conferred by such securities (as the case may be) is less than the net asset value per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date (a “**Dilutive Alternative Securities Offer**”), by multiplying the Subscription Price in force immediately before the Pricing Date by a fraction of which (x) the numerator is the Fully Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date and (y) the denominator is the Diluted NAV per Ordinary Share as at the close of business on the Business Day immediately preceding the Pricing Date; and
- (iii) in any other case, in such manner as the independent financial advisers appointed by the Board (the “**Financial Advisers**”) shall report in writing to be fair and reasonable.

For the purposes of this paragraph 2(c):

- (I) “**Relevant Securities**” means any securities of the Company (including the Subscription Shares) in issue as at the relevant date which are convertible into, or exchangeable for, Ordinary Shares or which confer rights of subscription for Ordinary Shares or which otherwise could result in the issue of new Ordinary Shares, in each case at a price less than the then prevailing net asset value per Ordinary Share;
- (II) the “**Diluted NAV per Ordinary Share**” shall be the amount calculated in accordance with the following formula:

$$\text{DNAV} = \frac{A+B}{C+D}$$

where:

DNAV = the Diluted NAV per Ordinary Share;

A = the net assets of the Company as at the close of business on the Business Day immediately preceding the Pricing Date;

B = an amount equal to the product of (x) the number of new Ordinary Shares which would fall to be issued by the Company if the rights conferred by all Relevant Securities were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date at the conversion, exchange or subscription price (as the case may be) applicable on the next occasion on which such rights are then capable of exercise (disregarding, in the case of the Subscription Shares, any adjustment required by reason of the relevant offer or invitation under this paragraph 2(c)) and (y) such conversion, exchange or subscription price (as the case may be);

C = the number of Ordinary Shares in issue as at the Pricing Date;

D = the number of new Ordinary Shares that would result from the exercise in full (on the basis set out in B above) of all the rights conferred by the Relevant Securities; and

- (III) the “**Fully Diluted NAV per Ordinary Share**” shall be the amount calculated in accordance with the following formula:

$$\text{FDNAV} = \frac{A+B+E}{C+D+F}$$

where:

FDNAV = the Fully Diluted NAV per Ordinary Share;

A = the net assets of the Company as at the close of business on the Business Day immediately preceding the Pricing Date;

B = an amount equal to the product of (x) the number of new Ordinary Shares which would fall to be issued by the Company if the rights conferred by all Relevant Securities were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date at the conversion, exchange or subscription price (as the case may be) applicable on the next occasion on which such rights are then capable of exercise (disregarding, in the case of the Subscription Shares, any adjustment required by reason of the relevant offer or invitation under this paragraph 2(c)) and (y) such conversion, exchange or subscription price (as the case may be);

C = the number of Ordinary Shares in issue as at the Pricing Date;

D = the number of new Ordinary Shares that would result from the exercise in full (on the basis set out in B above) of all the rights conferred by the Relevant Securities;

E = (i) in the case of a Dilutive Ordinary Share Offer, an amount equal to the number of new Ordinary Shares offered for subscription multiplied by the issue price less the expenses of the offer and (ii) in the case of a Dilutive Alternative Securities Offer, an amount equal to the aggregate of (a) the product of (x) the number of new Ordinary Shares which would fall to be issued by the Company if the rights to be conferred by all the securities the subject of the offer were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date at the initial conversion, exchange or subscription price (as the case may be) and (y) such conversion, exchange or subscription price (as the case may be), less the expenses of the Dilutive Alternative Securities Offer and (b) the net proceeds of such offer to be received by the Company to the extent (if any) not reflected in (a); and

F = (i) in the case of a Dilutive Ordinary Share Offer, the number of new Ordinary Shares the subject of the offer assuming the same had been issued on the Business Day immediately preceding the Pricing Date and (ii) in the case of a Dilutive Alternative Securities Offer, the number of new Ordinary Shares that would result from the exercise in full of the rights conferred by all the securities the subject of the offer if such rights were exercisable and had been exercised in full on the Business Day immediately preceding the Pricing Date.

- (d) No adjustment will be made to the Subscription Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment will be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest whole penny. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the Subscription Price is adjusted as provided in accordance with paragraphs 2(a) to (d) above (other than by reason of and to reflect a consolidation of Ordinary Shares as referred

to in paragraph 2(a) above), the Company shall issue, for no payment, additional Subscription Shares to each Subscription Shareholder at the same time as such adjustment takes effect and the nominal value of such shares shall be paid up in full in accordance with paragraph 8(i)(v). The number of additional Subscription Shares to which a holder of Subscription Shares will be entitled shall be the number of existing Subscription Shares held by him before such adjustment multiplied by the following fraction:

$$\frac{X - Y}{Y}$$

where:

X = the Subscription Price immediately before the adjustment of the Subscription Price; and

Y = the Subscription Price immediately after the adjustment of the Subscription Price.

Fractions of Subscription Shares will not be allotted to holders of Subscription Shares but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Subscription Shareholders entitled thereto at the risk of such persons, save that amounts of less than £5.00 will be retained for the benefit of the Company. Subscription Share certificates relating to such additional Certificated Subscription Shares will be issued within 21 days of the said adjustment taking effect or the Company will procure that appropriate instructions are given to enable such additional Uncertificated Subscription Shares to be credited to the relevant account within the Relevant Electronic System of the person(s) in whose name(s) the Subscription Shares are registered as at the date of the adjustment.

- (f) Whenever the Subscription Price is adjusted in accordance with this paragraph by reason of a consolidation of Ordinary Shares as referred to in paragraph 2(a) above, the number of Ordinary Shares into which each holder of Subscription Shares is entitled to convert such Subscription Shares will be reduced accordingly.
- (g) The Company shall give notice to holders of Subscription Shares within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above.
- (h) If a holder of Subscription Shares shall become entitled to exercise his Subscription Share Rights pursuant to paragraph 3(f) below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Financial Advisers in accordance with the following formula:

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

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would, but for the provisions of this paragraph 2(h), be applicable (having taken into account any adjustments previously made pursuant to paragraphs 2(a) to (f) above) on the date on which the Company shall become aware as provided in paragraph 3(f) below;

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 3(f) below (or, where such offer

is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made,

provided that:

- (i) the Subscription Price shall not be reduced so as to cause the Company to be obliged to issue Ordinary Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this proviso (i), have reduced the Subscription Price to below the nominal value of an Ordinary Share, the number of Ordinary Shares for which a holder of a Subscription Share may subscribe pursuant to paragraph 3(f) below shall be adjusted in such manner as the Financial Advisers shall report to be appropriate to achieve the same economic result for the Subscription Shareholders as if the Subscription Price had been reduced without regard to this proviso (i); and
- (ii) no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C in the above formula.

The notice required to be given by the Company under paragraph 3(f) below shall give details of any reduction in the Subscription Price pursuant to this paragraph 2(h).

- (i) Notwithstanding the provisions of paragraphs 2(a) to 2(h) above, in any circumstances, where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided under the said provisions in order to give a result which is fair and reasonable, the Company may appoint the Financial Advisers to consider whether for any reason whatsoever the adjustment to be made (or the absence of adjustment) would or might not appropriately reflect the relative interests of the persons affected thereby and, if the Financial Advisers shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner including without limitation making an adjustment calculated on a different basis and/or to take effect from such other date and/or time as shall be reported by the Financial Advisers to be in their opinion appropriate in order to give a result which is fair and reasonable.

3. Other provisions

So long as any Subscription Share Rights remain capable of exercise:

- (a) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders):
 - (i) make, pay or declare any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of fully paid Ordinary Shares;
 - (ii) issue securities by way of capitalisation of profits or reserves except fully paid Ordinary Shares issued to the holders of its Ordinary Shares or the issue of further Subscription Shares to the Subscription Shareholders in accordance with the rights attaching to the Subscription Shares; or
 - (iii) on or by reference to a record date falling within the period of six weeks ending on the Final Subscription Date, make any such allotment as is referred to in paragraph 2(b) above or any such offer or invitation as is referred to in paragraph 2(c) above (except by extending to the Subscription Shareholders any such offer or invitation as may be made by a third party).
- (b) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital (as defined in section 548 of the Act

as applicable) except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital (save as to the date from which such shares shall rank for dividends or distributions), provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital or to issue further Ordinary Shares which carry, as compared to the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividends or return of capital;

- (c) the Company shall not issue any Ordinary Shares credited as fully paid by way of capitalisation of profits or reserves nor make any such offer as is referred to in paragraph 2(c) if, in either case, the Company would on any subsequent exercise of the Subscription Share Rights be obliged to issue Ordinary Shares at a discount to nominal value;
- (d) the Company shall not (except with the sanction of a special resolution of the Subscription Shareholders or in connection with a purchase of shares made in accordance with paragraph 3(i) below or for a reduction not involving any payment to Shareholders) reduce any of its share capital or any uncalled or unpaid liability in respect of any of its share capital;
- (e) except in the circumstances where paragraph 2(c) applies, the Company shall not grant (or agree to grant) any option in respect of, or create any rights of subscription for, or conversion into, any Ordinary Shares, the nominal amount of which, together with the aggregate nominal amount of any Ordinary Shares over which options or rights of subscription or conversion (including those of the Subscription Shares) shall be subsisting at the date of such grant or creation, would exceed in the aggregate 20 per cent. of the nominal amount of the Ordinary Shares (excluding any treasury shares) then in issue, nor (except with the sanction of a special resolution of the Subscription Shareholders) will the Company grant (or offer or agree to grant) any such option in respect of, or create any such rights of subscription for, or issue any securities or loan capital carrying rights of conversion into, Ordinary Shares if the price at which any such option or right is exercisable is lower than the Subscription Price for the time being;
- (f) subject as provided in paragraph 3(g) below, if at any time an offer is made to all Ordinary Shareholders (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the Final Subscription Date that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Subscription Shareholders of such vesting or pending vesting within 14 days of it becoming so aware, and each such Subscription Shareholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Share Rights on the terms (having taken into account any adjustments pursuant to paragraphs 2(a) to (f) and 2(h) above) on which the same could have been exercised if they had been exercised on the date on which the Company shall become aware as aforesaid. The publication of a scheme of arrangement under sections 895 to 901 of the Act providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(f) and reference herein to such an offer shall be read and construed accordingly;
- (g) if under any offer as referred to in paragraph 3(f) above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of securities to subscribe for ordinary shares in the offeror in exchange for the Subscription Shares, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to such financial advisers to be relevant), then a Subscription Shareholder shall not have the right to exercise his Subscription Share Rights on the basis referred to in paragraph 3(f) above and, subject to the offer as referred to in paragraph 3(f) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not

already owned by it or its associates (as defined in section 988 of the Act), any Director shall be irrevocably authorised as attorney for the holders of Subscription Shares who have not accepted the offer of securities to subscribe for ordinary shares in the offeror in exchange for the relevant Subscription Shares and who have not exercised the Subscription Share Rights attaching to their Subscription Shares before such offer becomes or is declared unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it or its associates:

- (i) to execute a transfer of the Subscription Shares held by such holders in favour of the offeror in consideration of the issue of securities to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Subscription Share Rights shall lapse; and
 - (ii) to do such acts and things as may be necessary or appropriate in connection therewith;
- (h) if an order is made or an effective resolution is passed for winding-up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by a special resolution of the Subscription Shareholders), each Subscription Shareholder shall be entitled to receive out of the assets available in the liquidation, *pari passu*, with the holders of the Ordinary Shares and pro rata to their holding of Subscription Shares as at the commencement of the liquidation, such proportion of the assets available for distribution and distributed in the liquidation as is equal to the greater of:
- (i) the proportion produced by the following formula:

$$\frac{MP \times N}{SA}$$

where:

MP = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Subscription Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of a meeting (as the case may be) or that the same is proposed

N = the number of Subscription Shares in issue immediately prior to the commencement of the liquidation

SA = the surplus assets available in the liquidation and;

- (ii) the proportion produced by the following formula:

$$\frac{IV \times N}{SA}$$

where:

IV = the excess of the Diluted NAV per Ordinary Share over the Subscription Price immediately prior to the commencement of the liquidation

N = the number of Subscription Shares in issue immediately prior to the commencement of the liquidation

SA = the surplus assets available in the liquidation

For the avoidance of doubt, the entitlement of Subscription Shareholders pursuant to this paragraph 3(h) shall be payable out of the assets available in the liquidation without the Subscription Shareholders having to make any subscription or payment. Subject to the foregoing, all Subscription Share Rights shall lapse on liquidation of the Company.

Notwithstanding the foregoing provisions of this paragraph 3(h), where the Directors, in their reasonable opinion, shall consider that the economic result produced by the

application of such provisions would or might not fairly and appropriately reflect the relative interests of the persons affected thereby, the Directors may appoint the Financial Advisers to consider and report on what (if any) adjustments should be made to such provisions so as to produce an economic result which, in the opinion of the Financial Advisers, fairly and appropriately reflects the relative interests of the persons affected thereby, and in the event of any such report by the Financial Advisers the provisions of this paragraph 3(h) shall be deemed to be varied and take effect accordingly; and

- (i) notwithstanding paragraphs 3(a) to (h) above, the Company may, without the sanction of a special resolution of the Subscription Shareholders:
 - (i) issue new Ordinary Shares at a premium to net asset value;
 - (ii) purchase any of its own equity share capital (whether by tender, by private treaty or through the market);
 - (iii) hold its Ordinary Shares in treasury (for the purposes of section 724 of the Act) and sell any such Ordinary Shares held in treasury; and
 - (iv) effect a reduction in its share premium account or capital redemption reserve in accordance with the provisions of the Act.

4. Issue of C Shares

- (a) Notwithstanding the provisions of paragraph 3 above, a Qualifying C Share Issue (as defined in paragraph (b) below) shall not constitute an alteration or abrogation of the rights attached to the Subscription Shares (and shall not require the sanction of a special resolution of the Subscription Shareholders) even though it may involve modification of the rights attached to the Existing Ordinary Shares of the Company or the creation or issue of a new class of equity share capital if the Directors are of the opinion (having regard to all the circumstances) that such issue should not have any material dilutive effect on the Net Asset Value per Ordinary Share.
- (b) For this purpose, a “**Qualifying C Share Issue**” means an issue by the Company of shares which will, within one year of the date of issue thereof, be converted into Ordinary Shares ranking *pari passu* in all respects with the Ordinary Shares then in issue (other than, if the case requires, as regards dividends or other distributions declared, paid or made in respect of the financial year in which the conversion takes place) and may include the issue in connection therewith of subscription shares or warrants (whether on the same terms and conditions as the Subscription Shares or otherwise) and any matters reasonably incidental to the process by which such shares are converted into Ordinary Shares, including but not limited to the creation, issue, sub-division, consolidation, redesignation, purchase, redemption or cancellation of any share capital of the Company, including share capital with preferred or deferred rights.

5. Modification of Rights

All or any of the rights for the time being attached to the Subscription Shares and any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of a special resolution of the Subscription Shareholders.

6. Purchase

Subject to the provisions of the Act, the Company (or any of its subsidiaries) shall have the right to purchase Subscription Shares in the market, by tender or by private treaty but:

- (a) such purchases will be limited to a maximum price per Subscription Share which (other than in the case of purchases by tender) will not exceed the higher of: (i) 5 per cent. above the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for a Subscription Share for the 10 consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and (ii) the value of a Subscription Share calculated on the basis of the higher of the price quoted for (a) the last independent trade of, and (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out; and

- (b) if such purchases are by tender, such tender will be available to all Subscription Shareholders alike.

All Subscription Shares so purchased shall forthwith be cancelled and shall not be available for re-issue or resale.

7. Transfer

Each Subscription Share will be in registered form and will be transferable:

- (a) in the case of Certificated Subscription Shares, by an instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors;
- (b) in the case of Uncertificated Subscription Shares, by giving the appropriate instructions for transfer by means of the Relevant Electronic System; and
- (c) in compliance with the transfer restrictions set out under the heading "Transfer Restrictions" in Part VI of this document.

No transfer of a fraction of a Subscription Share may be effected.

8. General

- (a) The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Subscription Shareholder (or, in the case of joint holders, to the first named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statements sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of the rights attaching to Subscription Shares, a special resolution of the Subscription Shareholders means a resolution proposed at a meeting of the Subscription Shareholders duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.
- (c) Any determination or adjustment made pursuant to the rights attaching to Subscription Shares by the Financial Advisers shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Subscription Shareholders.
- (d) Any references in the rights attaching to Subscription Shares to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (e) Subject and without prejudice to paragraph 3(h) above Subscription Shares carry no right to any dividend or other distribution by the Company and (save to the extent that the Directors elect in connection with an exercise of Subscription Share Rights as provided in paragraph 8(i) below) no right to be redeemed (although the Company may elect to purchase Subscription Shares pursuant to paragraph 6). Subscription Shareholders are not entitled to attend or vote at meetings of Ordinary Shareholders and have no right to share in any surplus in the event of liquidation beyond the right to be repaid the sum of 0.1p, being the nominal value of each Subscription Share (in respect of which Subscription Share Rights have not been exercised) held (which right ranks immediately after the right of the Ordinary Shareholders to be repaid the nominal value of 0.1p for each Ordinary Share), but subject and without prejudice to paragraph 3(h) above.
- (f) If, immediately after any Subscription Date (other than the Final Subscription Date) and after taking account of any Subscription Share Rights exercised on that date, Subscription Share Rights shall have been exercised or cancelled in respect of 75 per cent. or more of the Subscription Shares originally issued (subject to the adjustment of the number of Subscription Shares in accordance with paragraph 2 above and including any further Subscription Shares issued in accordance with the Articles), the Company shall be entitled at any time within the next following 14 days to serve notice in writing on the holders of the Subscription Shares then outstanding of its intention to appoint a trustee for the purposes set out in this paragraph 8(f)

(the “**Early Subscription Trustee**”) upon the expiry of 21 days from the date of such notice (the “**Notice Period**”) and for this purpose the Notice Period shall expire at 3.00 p.m. on the 21st day from the date of such notice. Such notice shall set out the final Subscription Date (determined in accordance with this paragraph 8(f)) and will include all necessary details and instructions to enable the exercise of the Subscription Share Rights. Forthwith after the expiry of the Notice Period, the Company shall appoint the Early Subscription Trustee who, provided that in such trustee’s opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of 14 days following the expiry of the Notice Period either:

- (i) exercise all the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised immediately prior to the expiry of the Notice Period and had been exercised (having taken into account any adjustments previously made pursuant to paragraph 2 above) and sell in the market the Ordinary Shares resulting from such exercise; or
- (ii) (if it appears to the Early Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Early Subscription Trustee shall distribute pro rata the net proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other fees, costs and expenses to the persons entitled thereto at the risk of such persons as soon as practicable after such sale and in any event within 28 days after the expiry of the Notice Period, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. Following the expiry of the Notice Period, if the Early Subscription Trustee shall not exercise the Subscription Share Rights then outstanding within the period of 14 days following such expiry as set out in this paragraph 8(f) (and such trustee’s decision in respect thereof shall be final and binding on all holders of the outstanding Subscription Shares), all Subscription Share Rights shall lapse on the expiry of such period of 14 days.

- (g) Within seven days following the Final Subscription Date the Company shall appoint a trustee (the “**Final Subscription Trustee**”) who, provided that in such trustee’s opinion the net proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, such trustee will exceed the costs of exercising the Subscription Share Rights, shall within the period of 14 days following the Final Subscription Date, either:
 - (i) exercise all the Subscription Share Rights which shall not have been exercised on the terms on which the same could have been exercised on the Final Subscription Date (having taken into account any adjustments previously made pursuant to paragraph 2 above) and sell in the market the Ordinary Shares resulting from such exercise; or
 - (ii) (if it appears to the Final Subscription Trustee that doing so is likely to realise greater net proceeds for Subscription Shareholders) accept any offer available to Subscription Shareholders for the purchase of the outstanding Subscription Shares.

The Final Subscription Trustee shall distribute pro rata the net proceeds of any such sale or acceptance of any such offer less, in either case, such costs of exercising the Subscription Share Rights and such other fees, costs and expenses to the persons entitled thereto at the risk of such persons within 56 days of the Final Subscription Date, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. If the Final Subscription Trustee shall not exercise the Subscription Share Rights within the period of 14 days following the Final Subscription Date as set out in this paragraph 8(g) (and such trustee’s decision in respect thereof shall be final and binding on all holders of the outstanding Subscription Shares), all Subscription Share Rights shall lapse.

- (h) The Early Subscription Trustee or the Final Subscription Trustee (as appropriate) shall have no liability of any nature whatsoever where such trustee has acted honestly and reasonably and

shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.

- (i) The exercise of the Subscription Share Rights shall be effected in accordance with this paragraph 8(i) or in such manner as may be authorised by law. For the purposes of this paragraph 8(i) the “**Relevant Shares**” shall mean those Subscription Shares in respect of which Subscription Share Rights are exercised.

- (i) To enable such subscription to be effected, the Directors may determine to redeem at par the Relevant Shares on any Subscription Date out of profits of the Company which would otherwise be available for distribution. In the event that the Directors determine to redeem the same at par out of such profits, a Relevant Share shall confer upon the holder thereof the right to subscribe for, and such holder shall be deemed to have appointed the secretary of the Company (or any other person appointed for the purpose by the Directors) to subscribe as agent on such holder’s behalf for, one Ordinary Share at such price as shall represent the aggregate of:

- (a) the Subscription Price; and

- (b) the amount of the redemption moneys to which the holder is entitled;

and in any such case, the Subscription Notice given by such holder shall be deemed irrevocably to authorise and instruct such agent to apply the redemption moneys payable to such holder in subscribing for such Ordinary Shares at such price.

- (ii) To enable such subscription to be effected, the Directors may determine to effect such subscription by means of a consolidation and sub-division of the Relevant Shares. In such case the requisite consolidation and sub-division shall be effected pursuant to the authority given by the resolution adopting the Articles by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a Subscription Notice shall have been given in respect of the relevant Subscription Date (treating holdings of the same holders or joint holders in certificated form and uncertificated form as separate holdings, unless the Directors otherwise determine) and, if the Directors so determine, any shares allotted to such holder or joint holder pursuant to paragraph 8(i)(v) and converting (and, if necessary, sub-dividing) such consolidated share into shares of 0.1p each (or such other nominal amount as may be appropriate as a result of any consolidation or sub-division of Ordinary Shares) of which one share for every complete 0.1p (or such other nominal amount as may be appropriate as a result of any consolidation or sub division of Ordinary Shares) of the nominal amount of the consolidated share shall be Ordinary Shares (fractional entitlements to an Ordinary Share being disregarded) and the balance (if any) of such consolidated share shall be deferred shares which shall carry the limited rights set out in the Articles but in particular will be capable of being redeemed by the Company without further authorisation.

- (iii) In relation to any Relevant Shares that are to be redeemed in accordance with paragraph 8(i)(i) or 8(i)(ii) and that are, on the Subscription Date concerned, in uncertificated form, the Directors shall be entitled in their absolute discretion to determine the procedures for the redemption of such Relevant Shares (subject always to the regulations and the facilities, rules and requirements of the Relevant Electronic System). Without prejudice to the generality of the foregoing, the procedures for the redemption of any such Relevant Shares may involve or include the sending by the Company or by any person on its behalf of an issuer instruction to the operator of the Relevant Electronic System requesting or requiring the deletion of any computer based entries in the relevant system concerned that relate to the holding of the Relevant Shares concerned, and/or the Company may, if the Directors so determine (by notice in writing to the holder concerned), require the holder of the Relevant Shares concerned to change the form of the Relevant Shares from uncertificated form to certificated form prior to the Subscription Date concerned (and in each case the Directors shall determine the procedure for such redemption).

- (iv) To enable any subscription to be effected in accordance with paragraph 8(i)(i) or 8(i)(ii) above or the issue of any additional Subscription Shares pursuant to paragraph 2(e) above the resolution which adopted the Articles authorised the Directors to capitalise any part of the amount then standing to the credit of any of the Company's reserve accounts (whether or not the same would lawfully be distributable by way of cash dividend) or to the credit of the share premium account, capital redemption reserve, special reserve, revenue reserve or otherwise available for the purpose and the same shall be applied in paying up in full at par shares to be allotted and issued, credited as fully paid, to and amongst the holders of the Subscription Shares exercising their Subscription Share Rights in accordance with their respective entitlements or otherwise to the holders of Subscription Shares in accordance with paragraph 2(e). The restrictions and limitations in the Articles relating to capitalisation issues generally shall not apply to any capitalisation or creation or issue of shares pursuant to this paragraph 8(i) or paragraph 2(e) which shall instead be effected pursuant to the authority given by the resolution which adopted the Articles.

PART V

GENERAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 22 of this document, and the Company, whose registered office appears on page 22 of this document, each accept responsibility for the information contained in this document. Having taken all reasonable care to ensure that such is the case, the information contained in this document is, to the best of the knowledge of the Directors and the Company, in accordance with the facts and contains no omission likely to affect the import of such information.

2. The Company and the Manager

2.1 *Incorporation*

- 2.1.1 The Company was incorporated in the UK with an unlimited life on 1 June 2004.
- 2.1.2 The Company is registered as an investment company under section 833 of the Act with registered number 5142459.
- 2.1.3 The Company changed its name from Merrill Lynch Greater Europe Investment Trust plc to BlackRock Greater Europe Investment Trust plc on 25 April 2008.
- 2.1.4 The Company was issued with a certificate under section 117 of the Companies Act 1985 by the Registrar of Companies on 7 June 2004.
- 2.1.5 The Company has at all times conducted its affairs so as to enable it to qualify as an investment trust for the purposes of Chapter 4 of Part 24 of the Corporation Tax Act 2010.
- 2.1.6 The Company is not authorised by the Financial Services Authority or regulated as a collective investment scheme by the Financial Services Authority. However, as a company listed on the Official List, it is subject to the Listing Rules of the UK Listing Authority, the Prospectus Rules and the Disclosure and Transparency Rules.
- 2.1.7 The Company's Ordinary Shares and Subscription Shares are listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities. The ISINs of the Ordinary Shares and the Subscription Shares are GB00B01RDH75 and GB00B4P5BP99 respectively.
- 2.1.8 The principal legislation under which the Company operates is the Act and regulations promulgated thereunder. The Company is resident in the UK.
- 2.1.9 The registered office of the Company is 12 Throgmorton Avenue, London EC2N 2DL, with telephone number +44 (0)20 7743 3000.

2.2 *Principal activities of the Company*

The Company carries on business as an investment trust and its principal activity is portfolio investment.

2.3 *Group structure*

The Company has no subsidiaries and no parent company.

2.4 *The Manager*

The Manager is a private limited company, incorporated in England and Wales on 16 May 1986 under company number 02020394. The Manager is regulated by the Financial Services Authority. The principal legislation under which the Manager operates is the Act. The address of the registered office of the Manager is 12 Throgmorton Avenue, London EC2N 2DL with telephone number +44 (0)20 7743 3000.

3. Share capital

- 3.1 The following tables show the issued share capital (excluding treasury shares) of the Company as at 31 August 2011 (being the last date in respect of which the Company has published financial information) and as at 23 January 2012 (being the latest practicable date prior to the publication of this document).

	<i>Number of issued Shares</i>	<i>Nominal Value (£)</i>
<i>As at 31 August 2011</i>		
Ordinary Shares	95,859,314	95,859
Subscription Shares	18,351,675	18,351
<i>As at 23 January 2012</i>		
Ordinary Shares	94,873,100	94,873
Subscription Shares	18,342,725	18,343

- 3.2 Save for the Subscription Shares currently in issue and the proposed issue of New Subscription Shares in connection with the Proposals, no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 3.3 With effect from Admission, all of the New Ordinary Shares and New Subscription Shares will be in registered form and, subject to the New Ordinary Shares and New Subscription Shares being admitted to and accordingly enabled for settlement in CREST, the New Ordinary Shares and New Subscription Shares will be capable of being held in both certificated and uncertificated form. No temporary documents of title will be issued.
- 3.4 The Company's issued share capital history during the last three financial years and since 1 September 2011 is as follows:
- 3.4.1 in the financial year ended 31 August 2009, the Company repurchased 7,264,360 Ordinary Shares (5,568,268 of which were cancelled and 1,696,092 of which were held in treasury) at an average price of 125.5 pence per Ordinary Share. The Company also cancelled a further 2,728,833 Ordinary Shares already held in treasury. As at 31 August 2009, the Company had 106,820,690 Ordinary Shares in issue, 1,696,092 of which were held in treasury;
- 3.4.2 in the financial year ended 31 August 2010, the Company issued 19,806,520 Subscription Shares at an average price of 183 pence per Subscription Share. The Subscription Shares were listed on the Official List and were admitted to trading on the Main Market on 30 July 2010. The Company also repurchased 6,082,175 Ordinary Shares (3,440,129 of which were cancelled and 2,642,046 were held in treasury) at an average price of 168.4 pence per Ordinary Share. The Company also cancelled a further 1,696,092 Ordinary Shares already held in treasury. As at 31 August 2010, the Company had 101,684,469 Ordinary Shares (2,642,046 of which were held in treasury) and 19,806,520 Subscription Shares in issue;
- 3.4.3 in the financial year ended 31 August 2011, the Company repurchased 5,127,954 Ordinary Shares (2,898,166 of which were cancelled and 2,229,788 of which were held in treasury) at an average price of 200.8 pence per Ordinary Share. 490,000 Ordinary Shares were issued from treasury at a premium to the diluted NAV. 1,454,845 Ordinary Shares were issued in respect of the conversion of Subscription Shares. The Company also cancelled a further 2,642,046 Ordinary Shares already held in treasury. As at 31 August 2011, the Company had 97,599,102 Ordinary Shares (1,739,788 of which were held in treasury) and 18,351,675 Subscription Shares in issue; and
- 3.4.4 in the period from 1 September 2011 to 23 January 2012 (being the latest practicable date prior to the publication of this document), the Company repurchased 1,495,164 Ordinary Shares all of which are held in treasury) at an average price of 166.11 pence per Ordinary Share. 500,000 Ordinary Shares were issued from treasury at a premium to the diluted NAV. 8,950 Ordinary Shares were issued in respect of the conversion of

Subscription Shares. As at 23 January 2012 (being the latest practicable date prior to the publication of this document), the Company had 97,608,052 Ordinary Shares (2,734,952 of which were held in treasury) and 18,342,725 Subscription Shares in issue.

3.5 Other than as described in paragraph 3.4 of this Part V, the Company did not repurchase any Ordinary Shares during the three financial years ending 31 August 2009, 2010 and 2011 or between 1 September 2011 and 23 January 2012 (being the latest practicable date prior to publication of this document).

3.6 The Company was authorised to issue Ordinary Shares by virtue of the resolutions passed at an annual general meeting held on 30 November 2011. The resolutions passed were as follows:

3.6.1 That, in substitution for all existing authorities, the Directors of the Company be and they are hereby generally and unconditionally authorised pursuant to section 551 of the Act, to exercise all the powers of the Company to allot relevant securities in the Company (as defined in that section) up to an aggregate nominal amount of £4,879 (being 5 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of the notice) provided this authority shall expire at the conclusion of the next Annual General Meeting to be held in 2012 but so that the Company may, before such expiry, make any offer or agreement which would or might require securities to be allotted pursuant to any such offer or agreement as if the authority hereby conferred had not expired.

3.6.2 That, in substitution for all existing authorities and subject to the passing of the resolution immediately above, the Directors of the Company be and are hereby empowered pursuant to sections 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act), including the grant of rights to subscribe for or to convert securities into ordinary shares of the Company, and to sell equity securities held by the Company as treasury shares (as defined in section 724 of the Act) for cash pursuant to the authority granted by the resolution immediately above, as if section 561(1) of the Act did not apply to any such allotments and sales of equity securities, provided that this power:

- (a) shall expire at the conclusion of the next Annual General Meeting of the Company in 2012, except that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted or sold after such expiry and notwithstanding such expiry the Directors may allot and sell equity securities in pursuance of such offers or agreements; and
- (b) shall be limited to the allotment of equity securities and/or the sale of equity securities held in treasury for cash up to an aggregate nominal amount of £4,879 (representing 5 per cent. of the aggregate nominal amount of the issued ordinary share capital of the Company at the date of the notice).

3.7 At the same annual general meeting of the Company resolutions authorising the Company to make market purchases of Ordinary Shares and Subscription Shares were passed as follows:

3.7.1 That, in substitution for the Company's existing authority to make market purchases of Ordinary Shares, the Company be and it is hereby authorised in accordance with section 701 of the Act to make market purchases of Ordinary Shares (within the meaning of section 693 of the Act) provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased is 14,630,105 (being the equivalent of 14.99 per cent. of the Company's issued ordinary share capital at the date of the notice);
- (b) the minimum price (exclusive of expenses) which may be paid for an Ordinary Share shall be 0.1p;
- (c) the maximum price (exclusive of expenses) which may be paid for an Ordinary Share shall be the higher of: (i) 5 per cent. above the average of the market values of the Ordinary Shares for the five business days immediately preceding the date

of the purchase as derived from the Daily Official List of the London Stock Exchange; and (ii) the higher of the price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for, any number of Ordinary Shares on the trading venue where the purchase is carried out; and

- (d) unless renewed, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2012 save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

All Ordinary Shares purchased pursuant to the above authority shall be either:

- (i) held, sold, transferred or otherwise dealt with as treasury shares in accordance with the provisions of the Act;
- (ii) cancelled immediately upon completion of the purchase.

3.7.2 That, in substitution for the Company's existing authority to make market purchases of Subscription Shares, the Company be and it is hereby authorised in accordance with section 701 of the Act to make market purchases of Subscription Shares (within the meaning of section 693 of the Act) provided that:

- (a) the maximum number of Subscription Shares hereby authorised to be purchased is 2,750,916 (being the equivalent of 14.99 per cent. of the Company's issued share capital at the date of the notice);
- (b) the minimum price (exclusive of expenses) which may be paid for an Subscription Share shall be 0.1p;
- (c) the maximum price will not exceed the higher of: (i) 5 per cent. above the average of the middle market quotations (as derived from the Official List) of the Subscription Shares for the five consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and (ii) the higher of the price quoted for: (a) the last independent trade of; and (b) the highest current independent bid for, any number of Subscription Shares on the trading venue where the purchase is carried out; and
- (d) unless renewed prior to such time, the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company in 2012, save that the Company may make a contract to purchase Subscription Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Subscription Shares pursuant to any such contract notwithstanding such expiry.

All Subscription Shares purchased pursuant to the above authority shall be cancelled immediately upon completion of the purchase.

3.7.3 That, in addition to the authority given to the Company to purchase its own Shares pursuant to the two resolutions immediately above and in accordance with the standard terms and conditions of the regular tender offers (the "**Terms and Conditions**"), the Company be and is hereby authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693 of the Act) of its Ordinary Shares, provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 20 per cent. of the Ordinary Shares in issue as at 31 May 2012 (excluding any Ordinary Shares held in treasury);
- (b) the price which may be paid for an Ordinary Share shall be the Tender Price (as defined in the Terms and Conditions); and
- (c) the authority hereby conferred shall expire on 31 July 2012 (unless such authority is renewed prior to such time) save that the Company may, prior to such expiry,

enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

Save as expressly provided in the resolution, words defined in the Terms and Conditions shall bear the same meanings in this resolution.

3.7.4 That, in addition to the authority given to the Company to purchase its own Shares pursuant to the three resolutions immediately above and in accordance with the Terms and Conditions, the Company be and is hereby authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693 of the Act) of its Ordinary Shares, provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall not exceed 20 per cent. of the Ordinary Shares in issue as at 30 November 2012 (excluding any Ordinary Shares held in treasury);
- (b) the price which may be paid for an Ordinary Share shall be the Tender Price (as defined in the Terms and Conditions); and
- (c) the authority hereby conferred shall expire on 31 January 2013 (unless such authority is renewed prior to such time) save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry.

Save as expressly provided in the resolution, words defined in the Terms and Conditions shall bear the same meanings in this resolution.

3.8 In order for the Company to issue the New Ordinary Shares and New Subscription Shares, at the General Meeting Shareholders will be asked to pass the Resolution, which contains the following operative provisions, which will, if passed, affect the Company's share capital:

3.8.1 authorise the Directors to allot: (i) the New Ordinary Shares in connection with the Proposals; and (ii) additional Ordinary Shares with a maximum nominal amount of £6,743 or, if less, 5 per cent. of the total ordinary share capital in issue (excluding treasury shares) immediately following the implementation of the Proposals;

3.8.2 authorise the Directors to allot: (i) the New Subscription Shares in connection with the Proposals; and (ii) additional Ordinary Shares having an aggregate nominal value of £8,000 pursuant to the exercise of Subscription Share Rights relating to the New Subscription Shares;

3.8.3 authorise the Directors to: (i) allot the New Subscription Shares in connection with the Proposals and additional Ordinary Shares having an aggregate nominal value of £8,000 pursuant to the exercise of Subscription Share Rights relating to the New Subscription Shares; (ii) allot the additional Ordinary Shares with a maximum nominal amount of £6,743 or, if less, 5 per cent. of the total ordinary share capital in issue (excluding treasury shares) immediately following the implementation of the Proposals; and (iii) resell any Ordinary Shares held by the Company in treasury, in each case without regard to statutory pre-emption rights;

3.8.4 (in substitution for the existing authority granted at the 2011 AGM), authorise the Company to make market purchases of up to 20,217,477 Ordinary Shares or, if less, that number of Ordinary Shares which is equal to 14.99 per cent. of the Company's issued ordinary share capital (excluding treasury shares) immediately following the implementation of the Proposals;

3.8.5 (in substitution for the existing authority granted at the 2011 AGM), authorise the Company to make market purchases of up to 3,948,774 Subscription Shares or, if less, that number of Subscription Shares which is equal to 14.99 per cent. of the Company's issued subscription share capital immediately following the implementation of the Proposals;

3.8.6 (in substitution for the existing authority granted at the 2011 AGM), authorise the Company to make market purchases in accordance with the standard terms and conditions of the

Company's regular tender offers of up to 35,000,000 Ordinary Shares or, if less, that number of Ordinary Shares which is equal to 20 per cent. of the Ordinary Shares in issue as at 31 May 2012;

3.8.7 (in substitution for the existing authority granted at the 2011 AGM), authorise the Company to make market purchases in accordance with the standard terms and conditions of the Company's regular tender offers of up to 35,000,000 Ordinary Shares or, if less, that number of Ordinary Shares which is equal to 20 per cent. of the Ordinary Shares in issue as at 30 November 2012; and

3.8.8 authorise the Company to cancel the entire amount standing to the credit of the Company's share premium account.

3.9 The Subscription Shares have the rights described in Part IV of this document, and are denominated in Sterling.

4. Articles of Association

4.1 The Articles contain, *inter alia*, material provisions as summarised in this paragraph 4.

4.1.1 Share Capital

The Articles provide that the Company's share capital consists of Ordinary Shares and Subscription Shares.

The Ordinary Shares and Subscription Shares have such rights, preferences and restrictions attached to them as are set out in the Articles.

The Articles do not confer any additional rights for the holders of Ordinary Shares or Subscription Shares to share in any surplus in the event of liquidation of the Company other than rights provided by legislation.

The Company in general meeting may from time to time by ordinary resolution:

- (i) authorise the Directors to increase its share capital by allotting new shares;
- (ii) consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (iii) subject to the provisions of the Act, sub-divide its shares or any of them into shares of smaller amount, and may by such resolution determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with others, have any such preferred, deferred or other special rights or be subject to any such restrictions as the Company has power to attach to new shares; and
- (iv) redenominate its share capital by converting shares from having a fixed nominal value in one currency to having a fixed nominal value in another currency.

4.1.2 Allotment of Ordinary Shares

- (i) Subject to the provisions of the Act and to any relevant authority of the Company required by the Act, the Board may allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of any new shares or rights to subscribe for or convert any security into shares, to such persons (including the Directors themselves), at such times and generally on such terms and conditions as the Board may decide.
- (ii) The Board may, at any time after the allotment of any share but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and accord to any allottee of a share a right to effect such renunciation and/or allow the rights represented thereby to be one or more participating securities, in each case upon and subject to such terms and conditions as the Board may think fit to impose.

- (iii) Subject to the Act, the Board may issue shares as certificated shares or as uncertificated shares in its absolute discretion.

4.1.3 *Voting rights*

Ordinary Shareholders have the right to receive notice of, and to attend and vote at, general meetings of the Company. Each Ordinary Shareholder who is present in person (or, being a corporation, by representative) or by proxy at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of every share held by him.

4.1.4 *Dividends*

The Company may, subject to the provisions of the Act and the Articles, by ordinary resolution from time to time declare dividends to be paid to members not exceeding the amount recommended by the Board. Subject to the provisions of the Act in so far as, in the Board's opinion, the Company's profits justify such payments, the Board may pay interim dividends on any class of shares including those carrying a fixed dividend. Any dividend, unclaimed after a period of 12 years from the date such dividend is payable shall, if the Board resolves, be forfeited and shall cease to remain owing by the Company.

4.1.5 *Transfer of Ordinary Shares*

- (i) Each member may transfer all or any of his shares by instrument of transfer, in the case of certificated shares, in writing in any usual form or in any form approved by the Board. Such instrument shall be executed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee. The transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register in respect of it. In relation to uncertificated shares, references in the Articles to instruments of transfer include instructions and/or notifications made in accordance with the relevant system relating to the transfer of such shares.
- (ii) The Board may, in its absolute discretion, refuse to register any share transfer unless:
 - (A) it is in respect of a share which is fully paid up;
 - (B) it is in respect of a share upon which the Company has no lien;
 - (C) it is in respect of only one class of share;
 - (D) it is in favour of a single transferee or not more than four joint transferees;
 - (E) it is duly stamped (if so required);
 - (F) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied, except in the case of a transfer by a recognised person where a certificate has not been issued, by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so; and
 - (G) in the case of partly paid shares which are listed, any refusal prevents dealings in the shares taking place on an open and proper basis.
- (iii) The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Uncertificated Securities Regulations 2001 and the relevant system.

- (iv) If a member has been issued with a notice under section 793 of the Act and is in default in relation to any shares (the “default shares”) for the prescribed period in supplying the information thereby required, unless the Board otherwise determines, where the default shares represent at least 0.25 per cent. of their class, no transfer of any shares held by the member shall be registered (except within defined exceptions under the Articles).
- (v) If the Board refuses to register a transfer of a share it shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. At the same time as it sends the transferee notice of the refusal to register a transfer, the Board will provide the transferee with its reasons for the refusal. Any instrument of transfer which the Board refuses to register shall (except in the case of suspected fraud) be returned to the person depositing it. All instruments of transfer which are registered may be retained by the Company.

4.1.6 *Variation of rights and alteration of capital*

- (i) All or any of the rights for the time being attached to any share or class of shares (and notwithstanding that the Company may or may be about to be in liquidation) may be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class duly convened and held as hereinafter provided (but not otherwise).
- (ii) The provisions described in the above paragraph apply also to the variation or abrogation of the special rights attached to some only of the shares of any class as if each group of shares of the class differently treated formed a separate class, the separate rights of which are to be varied.
- (iii) Subject to the terms on which any shares may be issued, the rights or privileges attached to any class of shares shall be deemed to be varied or abrogated by the reduction of the capital paid up on such shares or by the allotment of further shares ranking in priority thereto in any respect, but shall not be deemed to be varied or abrogated by the creation or issue of any new shares ranking *pari passu* in all respects (save as to the date from which such new shares shall rank for dividend) with or subsequent to those already issued or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Act and the Articles or by the sale from treasury of any shares of the same class in accordance with the provisions of the Act.
- (iv) The Company may, subject to the Act and to any rights attached to any shares, by special resolution reduce its share capital or any capital redemption reserve or share premium account in any manner.

4.1.7 *Purchase of own shares*

Subject to the provisions of the Act and to any rights for the time being attached to any shares, the Company may purchase any of its own shares of any class (including any redeemable shares). Any shares to be so purchased may be selected in any manner whatsoever.

4.1.8 *Directors*

- (i) Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be more than ten or less than two.

- (ii) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine provided that the maximum aggregate amount payable to Directors by way of fees shall not exceed £200,000 in any financial year, or such greater sum as may be determined from time to time by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings. If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.
- (iii) At each annual general meeting of the Company, one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third, shall retire from office save that each Director shall retire from office at or before the date of the third annual general meeting following his last appointment. If there are fewer than three Directors who are subject to retirement by rotation, one Director shall retire from office.
- (iv) Without prejudice to the provisions for retirement by rotation contained in the Articles, the office of a Director shall be vacated if:
 - (A) he resigns by notice in writing delivered to the Secretary at the office or tendered at a Board meeting;
 - (B) he ceases to be a Director by virtue of any provision of the Act, is removed from office pursuant to the Articles or becomes prohibited by law from being a Director;
 - (C) he becomes bankrupt, has an interim receiving order made against him, makes any arrangement or compounds with his creditors generally or applies to the court for an interim order under section 253 of the Insolvency Act 1986 in connection with a voluntary arrangement under that Act;
 - (D) an order is made by any court of competent jurisdiction on the grounds of mental disorder for his detention or for the appointment of a guardian or receiver or other person to exercise powers with respect to his affairs or he is admitted to hospital in pursuance of an application for treatment under the Mental Health Act 1983 or, in Scotland, under the Mental Health (Scotland) Act 1984 and the Board resolves that his office be vacated;
 - (E) both he and his alternate Director appointed pursuant to the provisions of the Articles (if any) are absent, without the permission of the Board, from Board meetings for six consecutive months and the Board resolves (within two months of the date of the last meeting from which he and such alternate Director were absent during such period) that his office be vacated; or
 - (F) he is requested to resign by a notice in writing delivered to the Office or tendered at a meeting of the Board signed by all of the other Directors (not being less than two in number) and, for this purpose, like notices each signed by a Director shall be as effective as a single notice signed by a number of Directors.
- (v) The Board may authorise any matter proposed to it in accordance with the Articles which would, if not so authorised, involve a breach by a Director of his duty to avoid conflicts of interest under the Act, including any matter which relates to a situation in which a Director has, or can have, an interest which conflicts, or possibly may conflict, with the interest of the Company (including the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it,

but excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). This does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company. Any authorisation will be effective only if: (i) any requirement as to quorum at the meeting at which the matter is considered is met without counting the Director in question or any other interested Director; and (ii) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The Board may make any such authorisation subject to any limits or conditions it expressly imposes and may vary or terminate any such authorisation at any time.

- (vi) Subject to having, where required, obtained authorisation of the conflict from the Board, a Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he has a duty of confidentiality to another person and will not be in breach of the general duties he owes to the Company under the Act because he fails to disclose any such information to the Board or to any Director or to use or apply any such information in performing his duties as a Director, or because he absents himself from meetings of the Board at which any matter relating to a conflict of interest, or possible conflict, of interest is discussed and/or makes arrangements not to receive documents or information relating to any matter which gives rise to a conflict of interest or possible conflict of interest and/or makes arrangements for such documents and information to be received and read by a professional adviser.
- (vii) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any arrangement, transaction or proposal in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted. This prohibition shall not apply and the Director may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:
 - (A) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;
 - (B) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
 - (C) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (D) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
 - (E) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (F) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) nor to his knowledge hold one per cent. or more of the voting rights either as a shareholder or through his direct or

indirect holding of financial instruments (within the meaning of the Disclosure Rules and Transparency Rules) in such body corporate;

- (G) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
- (H) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors;
- (I) any proposal concerning the funding of expenditure incurred or to be incurred by him in any proceedings brought by any party which relate to anything done or omitted or alleged to have been done or omitted by him as an officer of the Company or doing anything to enable such Director or Directors to avoid incurring such expenditure; or
- (J) any transaction or arrangement in respect of which his interest, or the interest of Directors generally, has been authorised by ordinary resolution.

4.1.9 *Borrowing Powers*

Subject as provided in the Articles, the Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present or future) and uncalled capital of the Company and, subject to the provisions of the Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings (if any) so that, without the previous sanction of an ordinary resolution of the Company, no new borrowings are incurred if, as a result, the aggregate principal amount outstanding of all net borrowings by the group (exclusive of certain borrowings owing by one member of the group to another member of the group) exceeds an amount equal to 100 per cent. of the value of the gross assets of the Company.

4.1.10 *General meetings*

(i) *Notice*

AGMs shall be held at such time and place as the Board may determine.

The Board may convene a general meeting whenever it thinks fit. At any meeting convened on a members' requisition or by the requisitionists no business shall be transacted except that stated by the requisition or proposed by the Board. If there are not within the United Kingdom sufficient members of the Board to convene a general meeting, any Director, or any member of the Company, may call a general meeting. An AGM and a general meeting shall be convened by such notice as may be required by law from time to time.

The notice shall include such statements as are required by the Act and shall in any event specify:

- (A) whether the meeting is an annual general meeting or a general meeting;
- (B) the place, the day and the time of the meeting;
- (C) in the case of special business, the general nature of that business;
- (D) if the meeting is convened to consider a special resolution, the intention to propose the resolution as such; and

- (E) with reasonable prominence, that a member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and that a proxy need not also be a member.

(ii) *Quorum*

No business shall be transacted unless two persons entitled to attend and to vote on the business to be transacted, each being a member so entitled or a proxy for a member or a duly authorised representative of a corporation, are present. If within 15 minutes or such longer period as the Chairman in his absolute discretion thinks fit, from the time appointed for the holding of the meeting a quorum is not present, or if a quorum ceases to be present during a meeting, the meeting shall stand adjourned to such day (being not less than ten clear days after the original meeting) and at such time and place as the Chairman (or, in default, the Board) may determine, unless the meeting was called on the requisition of members, in which case it shall be dissolved.

4.1.11 *Reserves*

Subject to the Articles, the Board may, before recommending any dividend (whether preferential or otherwise) but having regard to Chapter 4 of Part 24 of the Corporation Tax Act 2010, carry to reserve out of the profits of the Company such sums as it thinks fit. All sums standing to reserve may be applied from time to time, at the discretion of the Board, for any purpose to which the profits of the Company may properly be applied and, pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board thinks fit. The Board may divide the reserve into such special funds as it thinks fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided as it thinks fit. Any sum which the Board may carry to reserve out of the unrealised profits of the Company shall not be mixed with any reserve to which profits available for distribution have been carried. The Board may also, without placing the same to reserve, carry forward any profits which it may think prudent not to distribute.

4.1.12 *Capitalisation of reserves*

The Board may with the authority of an ordinary resolution of the Company but subject to any special rights attaching to any shares:

- (i) subject as provided in the Articles, resolve to capitalise any undivided profits of the Company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of any reserve or fund of the Company which is available for distribution or standing to the credit of the share premium account or capital redemption reserve or other undistributable reserve;
- (ii) appropriate the sum resolved to be capitalised to the holders of shares in proportion to the nominal amounts of the shares (whether or not fully paid) held by them respectively which would entitle them to participate in a distribution of that sum if the shares were fully paid and the sum were then distributable and were distributed by way of dividend and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full new shares or debentures of the Company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those holders of shares or as they may direct, in those proportions, or partly in one way and partly in the other, provided that:
 - (A) the share premium account, the capital redemption reserve, any other undistributable reserve and any profits which are not available for distribution may only be applied in paying up new shares to be allotted to holders of shares credited as fully paid; and

- (B) in a case where any sum is applied in paying amounts for the time being unpaid on any shares of the Company or in paying up in full debentures of the Company, the amount of the net assets of the Company at that time is not less than the aggregate of the called up share capital of the Company and its undistributable reserves as shown in the latest audited accounts of the Company or such other accounts as may be relevant and would not be reduced below that aggregate by the payment thereof; and
- (iii) resolve that any shares allotted to holders of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends.

4.1.13 *Distribution of realised capital profits*

The Board shall establish a reserve to be called the “capital reserve”. All surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital reserves shall be credited to the capital reserve. Subject to the Act, the Board may determine whether any amount received by the Company is to be dealt with in the income account or capital reserve or partly one way and partly the other. Any loss realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Act, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital reserve item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable except and provided that notwithstanding any provision of the Articles no part of the capital reserve or any other money in the nature of accretion to capital reserves shall be available for distribution as dividend. During a Relevant Period (as defined below), distribution of the Company’s capital profits (within the meaning of the Act) is prohibited, except to the extent that the requirements for investment company status under the Act do not require a company to prohibit the distribution of its capital profits in its articles of association. “Relevant Period” means any time when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company.

4.1.14 *Winding-up*

On winding-up a special resolution may authorise the distribution of any shares or other consideration receivable by the liquidator among the members otherwise than in accordance with their existing rights, and any such determination shall be binding on all the members, subject to the right of dissent and consequential rights conferred by section 110 of the Insolvency Act 1986.

4.1.15 *Uncertificated Shares*

- (i) Any shares in the Company may be issued, held, registered, converted, transferred or otherwise dealt with in uncertificated form and converted from uncertificated form to certificated form in accordance with the Uncertificated Securities Regulations 2001 (the “**Regulations**”) and the practices instituted by the operator of the relevant system. Any provisions of the Articles shall not apply to any uncertificated shares to the extent that such provisions are inconsistent with: (a) the holding of shares in uncertificated form; (b) the transfer of title to shares by means of a relevant system; or (c) any provision of the Regulations.
- (ii) Without prejudice to the generality and effectiveness of the foregoing:

- (A) the Company shall enter on the register of members the number of shares which are held by each member in uncertificated form and in certificated form and shall maintain the register in each case as is required by the Regulations and the relevant system and, unless the Board otherwise determines, holdings of the same holder or joint holders in certificated form and uncertificated form shall be treated as separate holdings;
 - (B) subject to the Act, the Board may issue shares as certificated shares or as uncertificated shares in its absolute discretion;
 - (C) the Board may make such arrangements or regulations (if any) as it may from time to time in its absolute discretion think fit in relation to the evidencing and transfer of uncertificated shares and otherwise for the purpose of implementing and/or supplementing the provisions of the Articles and the Regulations and the facilities and requirements of the relevant system and such arrangements and regulations (as the case may be) shall have the same effect as if set out in the Articles. The Board may utilise the relevant system to the fullest extent available from time to time in the exercise of the Company's powers or functions under the Act or the Articles or otherwise in effecting any actions.
- (iii) Where any class of shares in the capital of the Company is a participating security and the Company is entitled under any provision of the Act or the rules made and practices instituted by the operator of any relevant system or under the Articles to dispose of, forfeit, enforce a lien or sell or otherwise procure the sale of any shares which are held in uncertificated form, such entitlement (to the extent permitted by the Regulations and the rules made and practices instituted by the operator of the relevant system) shall include the right to:
- (A) request or require the deletion of any computer-based entries in the relevant system relating to the holding of such shares in uncertificated form;
 - (B) require any holder of any uncertificated shares which are the subject of any exercise by the Company of any such entitlement, by notice in writing to the holder concerned, to change his holding of such uncertificated shares into certificated form within such period as may be specified in the notice, prior to completion of any disposal, sale or transfer of such shares or direct the holder to take such steps, by instruction given by means of a relevant system or otherwise, as may be necessary to sell or transfer such shares;
 - (C) appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise in the name of the holder of such shares as may be required to effect transfer of such shares and such steps shall be as effective as if they had been taken by the registered holder of the uncertificated shares concerned;
 - (D) transfer any uncertificated shares which are the subject of any exercise by the Company of any such entitlement by entering the name of the transferee in the register of members in respect of that share as a transferred share;
 - (E) otherwise rectify or change the register of members in respect of that share in such manner as may be appropriate; and/or
 - (F) take such other action as may be necessary to enable those shares to be registered in the name of the person to whom the shares have been sold or disposed of or as directed by him.

4.1.16 Untraced Shareholders

The Company is entitled to sell at the best price reasonably obtainable any share of a Shareholder or any share to which a person is entitled by transmission if: (i) for a period

of 12 years in the course of which at least three dividends have become payable in respect of the share in question, no cheque or warrant sent by the Company through the post in a prepaid letter addressed to the Shareholder or to the person entitled by transmission to the share at his address on the Company's register of Shareholders or other last known address given by the Shareholder or the person entitled by transmission to which cheques and warrants are to be sent has been cashed and no communication has been received by the Company from the Shareholder or the person entitled by transmission; (ii) the Company has at the expiration of that 12 year period by advertisement in both a national newspaper and in a newspaper circulating in the area in which the address referred to in (i) above is located given notice of its intention to sell such share; (iii) the Company has not during a further period of three months after the date of advertisement and prior to the exercise of the power of sale received any communication from the Shareholder or person entitled by transmission; and (iv) the Company has given written notice to the London Stock Exchange of its intention to sell such share.

The Company must account to the Shareholder or other person entitled to the Share for the net proceeds of sale and shall be deemed to be his debtor and not a trustee for him in respect of the same. Any money not accounted for to the Shareholder or other person entitled to such share shall be carried to a separate account and shall be a permanent debt of the Company. Money in that account may either be employed in the business of the Company or invested in such investments as the Directors may from time to time think fit. No interest shall be payable to such member or other person in respect of such moneys and the Company shall not be required to account for any money earned on them.

5. Mandatory bids, squeeze-out and sell-out rules relating to the Ordinary Shares

5.1 *Mandatory bid*

The City Code on Takeovers and Mergers (the "**City Code**") applies to the Company. Under Rule 9 of the City Code, if:

- (i) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (ii) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or his concert parties during the previous 12 months.

5.2 *Compulsory acquisition*

Under sections 974-991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares from shareholders that have not assented to the offer.

The offeror would do so by sending a notice in the prescribed manner to the holders of the outstanding shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of the outstanding shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

6. Valuation policy

The Company publishes its NAV per Ordinary Share each Business Day. The NAV per Ordinary Share is calculated by the Manager, acting on behalf of the Company. For the purposes of calculating the NAV per Ordinary Share, the Company's listed investments are valued at bid prices. Where trading in the securities of an investee company is suspended, the investment is valued at the Board's estimate of its net realisable value. Where premiums are payable by foreign investors, the market value, for the purpose of the accounts, includes the premium. Unlisted investments are valued by the Board. In making its valuations the Board takes into account, where appropriate, latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

The calculation of the NAV per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.

As at 23 January 2012 (being the latest practicable date prior to the publication of this document), the unaudited NAV per Ordinary Share was 178.24p per Ordinary Share and the unaudited NAV of the Company was approximately £169.1 million (as provided by the Manager).

7. Interests of directors, major shareholders and related party transactions

7.1 Directors' interests

As at 23 January 2012 (being the latest practicable date before the publication of this document), the Directors had a beneficial interest in the following number of Ordinary Shares and Subscription Shares:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>% of issued ordinary share capital</i>	<i>Number of Subscription Shares</i>	<i>% of subscription share capital</i>
John Walker-Haworth	33,932	0.03	6,786	0.03
Carol Ferguson	40,000	0.04	8,000	0.04
Gerald Holtham	11,100	0.01	1,620	0.01
Davina Curling	—	—	—	—

7.2 Save as disclosed in paragraph 7.1 above, immediately following Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.

7.3 Directors' contracts with the Company

7.3.1 None of the Directors provide their services to the Company pursuant to a service contract with the Company. Their appointments are subject to the terms of their letters of appointment.

John Walker-Haworth is engaged by the Company as a non-executive director. Mr Walker-Haworth commenced in that office on 8 June 2004.

Carol Ferguson is engaged by the Company as a non-executive director. Ms Ferguson commenced in that office on 8 June 2004.

Gerald Holtham is engaged by the Company as a non-executive director. Mr Holtham commenced in that office on 8 June 2004.

Davina Curling is engaged by the Company as a non-executive director. Ms Curling commenced in that office on 1 December 2011.

7.3.2 In the financial year ended 31 August 2011, John Walker-Haworth received a Director's fee of £26,000, Carol Ferguson received a Director's fee of £23,500, (this included £3,500 for acting as Chairman of the Audit and Management Engagement Committee) and each of Gerald Holtham and Béatrice Philippe (who retired on 30 November 2011) received a Director's fee of £20,000. With effect from 1 September 2011, the remuneration of the Chairman was increased from £26,000 to £30,000, the Chairman of the Audit and Management Engagement Committee from £23,500 to £25,000, and for the other Directors from £20,000 to £21,000. Prior to this increase, the remuneration was last reviewed and increased with effect from 1 September 2010.

7.3.3 The Directors were not paid any amount of remuneration by way of benefits in kind, pension contributions and any contingent or deferred compensation by the Company for their services in all capacities to the Company. Accordingly, there are no amounts set aside or accrued by the Company to provide pension, retirement or similar benefits to the Directors.

7.3.4 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors collectively.

7.4 **Other interests**

Over the five years preceding the date hereof, the Directors have held the following directorships and/or partnerships (apart from their directorships of the Company):

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
John Walker-Haworth	Chancellor House Management (Hyde Park Gate) Limited	GB Group plc IFL Capital Limited IFL Holdings Limited Punter Southall Group Limited MEPSEC Limited Merrill Lynch European Investment Trust plc (in liquidation) Octane Holdings Limited Octane Fund Management (Luxembourg) SA
Carol Ferguson	Standard Life UK Smaller Companies Trust plc The Monks Investment Trust plc Vernalis plc Invesco Asia Trust plc Chartered Accountants Compensation Scheme Limited	Association of Investment Companies Ardana plc (in administration) Gartmore Smaller Companies Trust PLC (in members' voluntary liquidation)
Gerald Holtham	Institute of Welsh Affairs Cadwyn Capital LLP	Cambria Capital Limited
Davina Curling	Invesco Income Growth Trust plc	

7.5 None of the Directors have any conflict of interest between any duties to the Company and to his or her private interests or to any other duties.

7.6 Save as disclosed above, in the five year period prior to the date of this document, none of the Directors:

- 7.6.1 had any convictions in relation to fraudulent offences;
- 7.6.2 were associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and
- 7.6.3 received any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

7.7 **Major shareholders**

- 7.7.1 As at 23 January 2012 (being the latest practicable date before publication of this document) the Company had received notification of the following interests in 3 per cent. or more of the voting rights attaching to the Company's issued share capital:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>% of voting rights</i>
BlackRock Investment Management (UK) Limited	30,006,105	31.6

1.3 per cent. held on behalf of discretionary clients and 30.3 per cent. held through the BlackRock Investment Trust Savings Plan and ISA.

<i>Shareholder</i>	<i>Number of Subscription Shares</i>	<i>Combined % of ordinary share capital</i>
BlackRock Investment Management (UK) Limited	5,561,562	37.5

- 7.7.2 The Shares held by the Manager are held on behalf of participants in the BlackRock Investment Trust savings products. The Manager has a notifiable interest in these Shares because, in certain circumstances and subject to certain limitations agreed with the Panel on Takeovers and Mergers to ensure compliance with the City Code, with effect from 14 March 2007 the Manager is entitled to exercise the voting rights attached to these Shares if the relevant plan participants do not do so. However, the Manager will not exceed the voting limit of 29.99 per cent. of the total issued share capital (excluding treasury shares).
- 7.7.3 Other than as noted in paragraph 7.7.2 of this Part V, all Ordinary Shareholders have the same voting rights in respect of the share capital of the Company.
- 7.7.4 The Company and the Directors are not aware of any person, who directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 7.7.5 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

7.8 **Related party transactions**

Save as disclosed below, the Company was not a party to, nor had any interest in, any related party transaction (as defined in the Standards adopted according to the Regulation (EC) No 1606/2002) at any time during the three financial years to 31 August 2009, 2010 and 2011 or during the period from 1 September 2011 to 23 January 2012 (being the latest practicable date before publication of this document):

- (a) the Company is party to the Management Agreement (described in paragraph 10.1 and of this Part V); and
- (b) the Company has entered into deeds of indemnity with the Directors individually (described in paragraph 10.3 of this Part V).

Each of these related party transactions was negotiated and conducted on an arms' length basis.

7.9 ***Other material interests***

The Company is receiving legal advice from Herbert Smith LLP and financial advice from Collins Stewart (solely in its capacity as sponsor), in addition to certain administrative services from third parties in connection with the Issue. The legal and financial advisers act for many other clients, including others in the investment funds sector and, on occasion, the professional advisers may face conflicts of interest as a result of acting both for the Company and such other clients. In the event of a conflict of interest, the legal and financial advisers will take such reasonable steps to ensure it is resolved fairly.

None of the Directors have any conflict of interest between any duties to the Company and his or her private interests and any other duties. The Manager, the Secretary, their respective directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an **"Interested Party"**) may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest. The Manager has an established conflicts of interest policy, which is set out at paragraph 8 below.

8. **Conflicts of interest with BlackRock or its Associates**

In relation to any transaction, BlackRock Inc. and its subsidiaries (**"BlackRock"**) and any affiliated company may have a material interest or a relationship that may impact on BlackRock's duty towards its client. BlackRock seeks to effectively manage these types of conflicts and has established a conflicts of interest policy.

8.1 ***Ownership structure and independence***

BlackRock is associated with the PNC Financial Services Group, Inc., and its subsidiaries (**"PNC"**) and Barclays Bank PLC and its subsidiaries (**"Barclays"**) (hereafter known as **"Associates"**). PNC and Barclays each own less than 50 per cent. of BlackRock, Inc.'s outstanding stock. Because of this association, there is the potential that BlackRock could be unduly influenced by PNC or Barclays to the disadvantage of its customers.

While the Associates are represented on BlackRock, Inc.'s Board of Directors, BlackRock operates independently from its Associates and has an independent majority on its Board of Directors.

As well as physical segregation between BlackRock and each of its Associates, employees are supervised separately and there are no reporting lines from BlackRock employees into any of the Associates. BlackRock's securities holdings are accessible only by Barclay's Compliance Departments and only for the purpose of fulfilling their regulatory reporting requirements.

8.2 ***Associates' interests***

The Associates may have direct and indirect interests in the financial instruments and markets in which BlackRock invests for its customers and may be used, where permitted, to effect transactions with or for its customers. BlackRock and its Associates may act in a variety of roles including those of principal broker, underwriter, agent or lender in connection with transactions in which BlackRock's customers have an interest and may receive remuneration or other benefits in connection with those roles. These relationships may provide an incentive to engage in inappropriate or unsuitable transactions.

Transactions, including those involving placings and/or new issues, entered into with Associates who may be acting as principal or receiving agent's commission are conducted in accordance with BlackRock's policies and procedures, specifically its order execution and allocation policies,

which are designed to ensure the fairness and reasonableness of those transactions in accordance with BlackRock's obligation to obtain the best results for its customers. BlackRock seeks to identify associated interests and ensure that these interests do not unduly affect the decisions made for its customers.

8.3 *Potential conflicts associated with BlackRock's investment constraints or limitations and its Associates*

Certain conflicts may arise from the fact that the banking and corporate finance activities of BlackRock's Associates may restrict the ability of BlackRock to purchase, sell or retain investments due to applicable regulations. BlackRock may purchase securities that are issued, underwritten or distributed by its Associates.

In certain circumstances where BlackRock invests in securities issued by companies that operate in certain regulated industries, in certain emerging or international markets, or are subject to corporate or regulatory ownership definitions, there may be limits on the aggregate amount invested by BlackRock, Barclays and/or the PNC Financial Services Group Inc., that may not be exceeded without the grant of a license or other regulatory or corporate consent. As a result, BlackRock on behalf of BlackRock clients may limit purchases, sell existing investments, or otherwise restrict or limit the exercise of rights (including voting rights) when BlackRock, in their sole discretion, deem it appropriate in the light of potential regulatory or other restrictions on ownership or other consequences resulting from reaching investment thresholds.

In those circumstances where ownership thresholds or limitations must be observed, BlackRock seeks to equitably allocate limited investment opportunities among BlackRock's clients, taking into consideration applicable thresholds, BlackRock may limit purchases in such securities to the issuer's weighting in the applicable benchmark used by BlackRock to manage the BlackRock client account or fund. If BlackRock's Clients' holdings of an issuer exceed an applicable threshold and BlackRock is unable to obtain relief to enable the continued holding of such investments, it may be necessary to sell down these positions to meet the applicable limitations. In these cases, benchmark overweight positions will be sold prior to benchmark positions being reduced to meet applicable limitations.

In addition to the forgoing, other ownership thresholds may trigger reporting requirements to governmental and regulatory authorities, and such reports may entail the disclosure of the identity of the BlackRock client or BlackRock's intended strategy with respect to such security or asset.

8.4 *Investment in own shares or those of Associates*

A conflict of interest may arise if BlackRock were to invest in either its own shares or in shares of its Associates on behalf of its customers.

BlackRock does not invest either in its own shares or in PNC shares on behalf of its customers, except in very limited and defined circumstances, where investment discretion is substantially limited, such as in relation to index tracking funds or in relation to its transition business, where it may be necessary to invest in such stock in line with the benchmark or when directed by a customer and in accordance with client guidelines and applicable regulations.

8.5 *Investment in securities issued by customers*

BlackRock has a large number of institutional customers and may, on behalf of its customers, invest in or sell securities issued by these institutional customers or by associates of these institutional customers. Given the size and scope of BlackRock's customer base, it would not be in the best interests of BlackRock's overall customer base to restrict investment in securities of its institutional customers but due consideration needs to be given to evidencing that such investments are being made for appropriate reasons and not to favour the particular institutional customer into which the investment is made.

BlackRock's policy is to place any such transactions in accordance with its normal investment practices, policies and procedures without regard to its relationship with the institutional customer.

BlackRock may also invest in or sell securities issued by a customer or its associates. Whether or not BlackRock is aware that such a relationship exists, any such transactions will be placed under BlackRock's normal procedures.

8.6 *Investing on own account*

A conflict could arise if BlackRock acts as principal in the selling of securities or currency to a customer or purchasing securities or currency from a customer, creating an incentive for BlackRock to trade for its benefit and not on an arms length basis.

BlackRock does not have a proprietary trading business and only invests for its own account in limited circumstances, such as with respect to its corporate treasury function (where it invests in short-term liquid instruments), to correct trading-related errors, to seed investment vehicles sponsored by BlackRock and with respect to the management of "box" accounts for U.K. authorised unit trusts to facilitate the subscription and redemption process. BlackRock does not compete with customer transactions.

8.7 *Investment in Associated Products*

BlackRock may purchase on behalf of customers, or recommend to customers that they invest in, collective investment schemes, structured products or other pooled vehicles where a BlackRock company, or one of its Associates acts as the manager, operator, issuer, banker, adviser, trustee or in any other capacity ("Associated Products"). BlackRock could prefer using Associated Products over outside products due to the fees it receives from Associated Products.

BlackRock compensation is generally based upon investment performance and therefore has an incentive to choose the best performing products (on a risk adjusted basis). Generally, initial and conversion charges and annual management fees on Associated Products are waived when BlackRock invests on behalf of customers in Associated Products, and where they are not waived, this is disclosed to customers.

When investing in Associated Products on behalf of BlackRock customers, BlackRock employees may have information about these Associated Products which is not yet available to other investors in those products. On occasion, this may include price sensitive information, in which case the employee is prohibited from acting on or communicating that information without first consulting with the Legal & Compliance Department.

When investing in outside products on behalf of BlackRock customers, care is taken to ensure that proprietary information concerning those products (such as portfolio holdings in trading strategies) is not shared with BlackRock's portfolio managers who invest in those asset classes.

8.8 *Long positions versus short positions*

Establishing, holding or unwinding opposite positions (i.e., long and short) in the same security at the same time for different customers may prejudice the interests of customers on one side or the other and may pose a conflict of interest for BlackRock as well, particularly if BlackRock or the portfolio managers involved may earn higher compensation from one activity than from the other. This activity may occur as a result of different portfolio management teams taking different views of a particular security or in the course of implementing risk management strategies, and special policies and procedures are not generally utilised in these situations. This activity may also occur within the same portfolio management team as a result of the team having both long only mandates and long-short or short only mandates or in the course of implementing risk management strategies.

Where the same portfolio management team has such mandates, shorting a security in some portfolios that is held long in other portfolios or establishing a long position in a security in some portfolios that is held short in other portfolios may be done only in accordance with established policies and procedures designed to ensure the presence of an appropriate fiduciary rationale and to achieve execution of opposing transactions in a manner that does not systematically advantage or disadvantage any particular set of customers.

8.9 ***Commission sharing arrangements***

BlackRock has entered into a number of Commission Sharing Agreements (CSAs) with executing brokers in relation to equity trading. Under these arrangements, a portion of the commissions paid to the executing broker on trades executed under the CSA will either be passed to research brokers selected by BlackRock or used to provide research and/or execution services that assist BlackRock in providing its investment management services, thus benefiting its customers.

These arrangements benefit BlackRock because they permit BlackRock to use customer commission to obtain these services rather than paying for them directly. There is the potential for conflict if such arrangements were to induce BlackRock to deal (or to deal through the relevant broker) when it would have been in the customer's interests not to deal (or to deal through a different broker).

BlackRock commission sharing arrangements are designed to comply with the relevant regulatory requirements. These arrangements are reviewed by BlackRock's Legal & Compliance Department and transactions entered into under these arrangements are required to adhere to BlackRock's order execution policy.

As indicated in section 3, rates of commission that apply to the fundamental equity trades, the model driven index business and the transitions business may vary in the same markets. A report is provided at least twice yearly to customers detailing how much commission has been paid and how much of it has been paid for execution of trades, as opposed to for research or execution services received in relation to these trades. This report also indicates the amount of commission being paid to the brokers being most frequently used by BlackRock. Transition clients, whose mandates are generally of a short duration receive comprehensive pre and post trade reports providing detailed analysis on the cost of trades by measuring implementation shortfall.

8.10 ***Investment management fees***

BlackRock receives management fees for most accounts based upon assets under management and for some accounts also based upon its performance in managing the accounts. A potential conflict exists since BlackRock may benefit more from above average performance in the performance fee accounts as compared with other accounts.

BlackRock's allocation policy and procedures require the fair and equitable allocation of financial instruments among these accounts. All transactions are subject to BlackRock's obligations to obtain best execution on behalf of its customers in line with its order execution policy.

8.11 ***Retrocession fees/referral fees***

There may be occasions when BlackRock will pay or receive retrocession fees and referral fees in relation to the activity conducted on behalf of customers. This could provide an incentive to promote unsuitable products and services to customers.

BlackRock currently pays retrocession fees to third parties in relation to customers who invest through those third parties. Those third parties have an obligation to properly disclose receipt of these fees to the customers they relate to. In addition, if BlackRock receives retrocession fees, it does not hold any such fees for its own account. Such fees may be negotiated in order to obtain a better price on behalf of its customers and any such fees are directed to the customers or collective investment scheme which the investment is being made on behalf of.

BlackRock does not generally receive referral fees but will on occasion pay such fees to third parties. When such fees are paid due consideration is given to the suitability of BlackRock's products and services for those customers being referred.

8.12 ***Proxy voting***

BlackRock votes proxies for customers which have delegated this duty to BlackRock, and in doing so seeks to vote in a manner consistent with its fiduciary duty and the economic interests of its customers. In certain cases, the proxy will involve a relationship in which BlackRock, its

affiliates or its employees, has an interest, such as where the proxy involves a BlackRock customer, major distributor or an Associate and in these cases BlackRock has a potential conflict of interest and seeks to ensure that its voting decision is not unduly influenced by this relationship.

BlackRock has adopted proxy voting guidelines and generally votes in accordance with these guidelines. When a potential conflict is identified, it is discussed with Legal & Compliance, and may be referred to an outside vendor to vote in order to ensure an independent decision making process.

8.13 *Inappropriate valuation*

The instruments held in customer accounts are valued periodically (e.g. daily, monthly, quarterly). For most instruments, the value is based on readily available market quotations. However, in certain cases where market quotations are unavailable or are determined by BlackRock to be unreliable, BlackRock values the instrument based upon its “fair value”, which inherently involves a degree of judgement.

A conflict of interest may arise in that BlackRock may have an incentive to over value “fair valued” instruments in order to maximise an account’s asset value and the fees BlackRock then receives, which are based upon the level of an account’s asset value, or to retain a customer by showing better investment performance.

BlackRock has a pricing committee which is responsible for determining fair value of difficult to price instruments. The committee is comprised of experienced professionals, including compliance professionals, and the majority of members are independent from the portfolio management group, which may be viewed as having a heightened level of conflicting interests because their compensation is more directly tied to the investment performance of the accounts they manage.

8.14 *Inside information*

There may be periods when BlackRock may not initiate or recommend certain types of transactions, or may otherwise restrict or limit their advice with respect to such securities or instruments issued by or related to companies for which BlackRock is performing advisory or other services. For example, when BlackRock is engaged to provide advisory or risk management services for a company, BlackRock may be prohibited from or limited in purchasing or selling securities of that company, particularly where such services result in BlackRock obtaining material non-public information about the company. Similar situations could arise if BlackRock personnel (or connected persons of BlackRock personnel) serve as directors or officers of companies and where, consistent with BlackRock’s policies and procedures (including the implementation of appropriate information barriers), BlackRock may purchase or sell securities or instruments that are issued by such companies or are the subject of an advisory or risk management assignment by BlackRock.

8.15 *Investment allocation and order priority*

BlackRock gives advice and makes investment decisions that it believes are in the best interests of its customers. However BlackRock and its Associates will be taking different investment decisions on behalf of different customers depending on the nature of each customer’s mandate. The advice given or investment decisions made for one customer may affect the liquidity, price or value of investments, potentially to the detriment of other customers.

Where limited investment opportunities exist, which may be of interest to more than one customer, a conflict arises between the interests of (and duties to) those customers.

Deals on behalf of a customer may be aggregated with deals for other customers. In these cases, if BlackRock is not able to trade the entire volume at one price, the various prices may be averaged and the customers involved will receive the average price for the deal in line with BlackRock’s order execution policy. This policy requires BlackRock to take all reasonable steps

to seek the best possible result on behalf of its customers when executing trades. This is generally known as best execution.

Wherever reasonably practical, BlackRock trades are executed on a pro rata basis. Where this is not reasonably practical or circumstances arise that create the need for the transaction to be re-allocated, BlackRock's investment allocation policy aims to ensure that investment opportunities are allocated fairly and equitably among BlackRock's customer base.

BlackRock's trading function is separated from its portfolio management areas and is centralised except with respect to certain areas within the fixed income department. Maintaining a separate centralised trading area is viewed by BlackRock as an important control as it is in a position to assess the market impact of trading across customer accounts and minimise adverse effects of trading.

8.16 *Cross trading*

BlackRock may match a sale for one customer with a purchase for another customer, thereby saving customers the cost of the bid/ask spread – this is known as a 'cross trade'. Cross trades create a potential conflict between the interests of the customers to receive the best possible price. Cross trading may take place due to different investment management strategies being implemented for different customers.

BlackRock has internal procedures designed to ensure that cross trades are executed at the appropriate market price and that such transactions are in the best interests of both customers. While there is some scope for BlackRock to arrange cross trades without going to an outside broker, BlackRock generally arranges such trades (particularly equity crosses) through the market with the intention of ensuring that both parties receive a fair arm's length price. Fixed income crosses may take place internally or on market and in certain circumstances a nominal commission charge may arise on these crosses.

8.17 *Investments in different parts of an issuer's capital structure*

Conflicts may arise in cases where customers invest in different parts of an issuer's capital structure. For example, one or more customers may acquire a loan or loan participation of a particular borrower in which one or more other customers have an equity investment. In such cases BlackRock may find that its interests, the interests of a customer or interest of a group of customers conflict. Such conflicts, for example, arise in a variety of circumstances in relation to the receipt and use of information or the exercise of voting or other rights, including such matters as waivers and amendments to debt covenants. If an issuer in which a customer or group of customers and one or more other customers hold different classes of securities (or other assets, instruments or obligations issued by such issuer) encounters financial problems, decisions over the terms of any workout will raise conflicts of interest (including, for example, conflicts over proposed waivers and amendments to debt covenants). For example, a debt holder may be better served by a liquidation of the issuer in which it may be paid in full, whereas an equity holder might prefer a reorganisation that holds the potential to create value for the equity holders. Such information or rights may be available to customers holding certain classes of securities and not to customers holding different classes. A group of customers holding the same class may have conflicting objectives in relation to such securities or the issuer as a whole, bearing in mind their overall holding in such issuer.

In the event of any of the above conflicts of interest arising they will be resolved on a case-by-case basis taking into consideration such matters as the interest of the relevant customers, the circumstances giving rise to the conflict and applicable laws and regulations. BlackRock's resolution in any particular case may result in BlackRock taking or recommending a different approach to the exercise of rights for relevant customers. Customers should be aware that conflicts will not necessarily be resolved in favour of their interests and that customers may receive less favourable investment terms in certain investments if such conflicts of interest did not exist. BlackRock only has knowledge of and can only take into account the portfolios that it manages and their objectives and not other holdings of a customer.

8.18 **BlackRock Solutions**

BlackRock offers its proprietary investment systems and analytical tools as well as complementary advisory and outsourcing services to institutional investors, under the brand name BlackRock Solutions. This includes a variety of risk management and financial advisory services. Certain of these services, particularly the Aladdin operating platform, are also used by BlackRock's asset management business and serviced by BlackRock Solutions.

BlackRock Solutions has access to information about BlackRock's asset management business – particularly concerning discretionary and non-discretionary customers' holdings and transactions – as well as information about holdings and transactions for customers for which BlackRock Solutions provides its proprietary investment systems, analytical tools and advisory services.

BlackRock maintains an information barrier such that BlackRock asset management employees generally do not have access to confidential information about BlackRock Solutions' customers. Exceptions are on a need to know basis, for example, where employees serve in various support functions. In order to maintain and service BlackRock's operating systems, employees of BlackRock Solutions do have access to confidential customer information of BlackRock's asset management business. However, each employee is required to sign a confidentiality agreement and receives annual training which includes their duty to protect the confidentiality of customer information.

8.19 **Financial Markets Advisory Group**

BlackRock (through BlackRock Solutions) has a Financial Markets Advisory Group (FMA) which manages portfolios primarily for highly specialised portfolio management mandates often involving large, highly illiquid positions. The FMA Group has access to confidential customer information with respect to these mandates, including specific trades or trading strategies, portfolio holdings and issuer or asset information. Given the size and illiquidity of certain positions in these mandates, FMAs trading in these securities can have market impact and there is the potential for the FMA team to be trading in competition to BlackRock's other trading desks.

BlackRock maintains an information barrier between the FMA Group and BlackRock's asset management employees. The FMA Group has their own portfolio managers and traders who operate independently from the portfolio managers and traders in BlackRock's asset management business. Certain BlackRock asset management employees have access to FMA customer information on a need to know basis, such as employees performing operations and administrative tasks, technology and other support functions.

9. **Investment restrictions**

The Company is subject to the UK Listing Rules which apply to closed-ended investment funds.

As required under Listing Rule 15.4.2, the Company will at all times invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy as set out on pages 23 to 24 of this document.

In accordance with Listing Rule 15.2.3A, the Company (and, if applicable, any subsidiary undertakings) will not conduct any trading activity which is significant in the context of its group as a whole, but this rule does not prevent the businesses forming part of the Company's investment portfolio from conducting trading activities themselves.

In addition, in order to comply with Listing Rule 15.2.5, the Company will not invest more than 10 per cent., in aggregate, of the value of its total assets (calculated at the time of any relevant investment) in other listed closed-ended investment funds (save to the extent that such investment funds have published investment policies to invest no more than 15 per cent. of their total assets in such other listed closed-ended investment funds).

In order to gain approval as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010 (as it applies to accounting periods beginning before 1 January 2012), the Company is required to operate under certain constraints. These include the following limits on investments and operations:

- no single investment may exceed 15 per cent. of the Company's investments at the time of investment;
- the Company may not retain more than 15 per cent. of its eligible investment income;
- at least 70 per cent. of income must be eligible investment income, consisting of income deriving from shares and securities or eligible rental income but not bank deposit income; and
- the Company may not distribute capital profits by way of dividend.

In the event of any material breach of the investment restrictions applicable to the Company, Shareholders will be informed of the actions to be taken by the Manager through an announcement via a Regulatory Information Service.

For accounting periods beginning on or after 1 January 2012, the Company will be required to meet a revised set of conditions in order to gain approval as an investment trust under Chapter 4 of Part 24 of the CTA. For such accounting periods, none of the above limits will apply. Instead the Company will be required (amongst others) to:

- demonstrate that its business consists of investing its funds in shares, land or other assets with the aim of spreading investment risk; and
- retain not more than 15 per cent. of its income (from all sources) for each accounting period.

10. Material contracts

Save as described below, the Company has not: (i) entered into any material contracts (other than contracts in the ordinary course of business) within the two years immediately preceding the publication of this document; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this document.

10.1 *Investment Management Agreement*

An investment management agreement (the "**Management Agreement**") dated 14 October 2010 but with effect from 1 December 2009 (as amended on 12 October 2011) is in place between the Company and the Manager whereby the Manager has agreed (subject to the overall supervision of the Board) to manage and administer the assets of the Company in return for a fee (the "**Management Fee**"). The Manager has agreed to manage the assets of the Company in accordance with the investment restrictions and investment objectives set out in the Management Agreement and in this document. The Manager, subject to the overall direction and to the instructions of the Board, shall also conduct all of the day to day administration, correspondence and business of the Company.

The Management Fee is comprised of a basic fee and, if applicable, a performance fee.

The basic fee is calculated and accrued monthly and is payable in arrears in respect of each quarter ending on 31 August, 30 November, the last day of February and 31 May, at a rate of 0.70 per cent. per annum of the value of the market capitalisation of the Company on the last business day of the relevant calendar month. Should any assets be invested in funds managed by the Manager or its associates which have their own management fees, these charges will be taken into account when calculating the Management Fee.

The Manager is also entitled to a performance fee where the annualised percentage change in the Company's share price outperforms the annualised percentage change in the Index over a rolling three year period. The performance fee is calculated by: (i) determining the amount by which the percentage change in the share price outperforms the percentage change in the Index; (ii) multiplying the difference calculated in (i) by the average market capitalisation of the Company (as calculated on specified dates each year and adjusted to take account of unclaimed dividends in each preceding 12 month period) over the rolling three year period; and (iii) multiplying the product of (ii) by 15 per cent. Where payable, the performance fee accrues monthly and is invoiced at the end of each rolling three year period, ending 31 August in the relevant year.

The aggregate of the basic fee and the performance fee is capped at 1.15 per cent. of the actual market capitalisation (as adjusted to take account of unclaimed dividends in each preceding 12 month period) of the Company as calculated on 31 August in the relevant year.

The Management Agreement may be terminated by the Company giving the Manager at least six months' notice in writing and also by the Manager giving the Company at least six months' notice in writing. The Management Agreement may also be terminated by written notice by either the Manager or the Company if the other party has gone into liquidation, administration or receivership or has committed a substantial or continuing breach of the Management Agreement.

The Management Agreement contains provisions for dealing with conflicts of interest in accordance with the FSA rules. The FSA rules require the Manager to manage conflicts of interest fairly both between itself and its customers and between one customer and another.

The Management Agreement contains specific warranties by the Company and provides for the indemnification by the Company of the Manager in circumstances where the Company is in breach of the Management Agreement or where the Manager suffers loss arising out of action properly taken by it in accordance with the Management Agreement. The Manager accepts responsibility for loss to the Company to the extent that such loss is attributable to its fraud, wilful default, negligence or breach of the Management Agreement. In respect of the Manager's day to day administration of the Company, the Company will indemnify the Manager in connection with its performance of administrative duties, save where any liabilities result from either the Manager's negligence or a breach of the Management Agreement.

10.2 ***Custody Agreement***

A custody agreement (the "**Custody Agreement**") dated 21 June 2004 is in place between the Company and The Bank of New York Mellon (International) Limited (the "**Custodian**"), whereby the Company has appointed the Custodian to act as custodian of the Company's investments, cash and other assets and to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian or any of its sub-custodians. Either party is able to terminate the Custody Agreement on 30 days' notice in writing. The Custody Agreement will terminate automatically in the event of insolvency of the Company unless such insolvency is pursuant to the terms of reconstruction previously approved by the Custodian. The Custodian has an indemnity from the Company in relation to liabilities incurred in the performance of its duties other than those incurred as a result of its negligence, fraud, wilful default, or breach of those FSA rules of which the Custodian is, or ought reasonably to be, aware in acting in its ordinary course of business. The Custodian also has a general lien in respect of liabilities owing by the Company. The Custodian receives fees for the provision of such services at rates depending on the number of trades effected and location of securities held (plus applicable VAT). The Company also bears the Custodian's costs and expenses incurred in connection with the Custody Agreement.

A number of sub custodians, located in various jurisdictions, hold stock on behalf of the Company pursuant to delegated custody arrangements.

10.3 ***Directors' Deeds of Indemnity***

The Directors have the benefit of the indemnity provision set out in the Articles, at article 161, which is a qualifying third party indemnity provision, as that term is defined in the Act, in respect of costs incurred in the defence of any proceedings brought against them by third parties arising out of their positions as Directors in which they are acquitted or judgment is given in their favour. The Company has entered into deeds of indemnity with the Directors individually and which are dated 28 November 2007 and 1 December 2011 in respect of the same subject matter.

10.4 ***Transfer Agreement***

Pursuant to letters of undertaking from: (i) the Liquidators to each of the Company and Charter, each dated on or around 26 January 2012; and (ii) the Company to Charter dated on or around

26 January 2012, the Liquidators and the Company have each irrevocably undertaken (subject to certain conditions) to enter into a transfer agreement (the “**Transfer Agreement**”) between the Company, the Liquidators and Charter in connection with the Charter Scheme. Under the terms of the Transfer Agreement, a pool of Charter’s assets (the “**Rollover Fund**”) will be transferred to the Company in consideration for the allotment by the Company of the New Ordinary Shares and New Subscription Shares to the Liquidators (as nominees for the Qualifying Charter Shareholders). Thereafter, the Liquidators will renounce the allotments of the New Ordinary Shares and New Subscription Shares in favour of the Qualifying Charter Shareholders, and such Shares will be issued by the Company to the Qualifying Charter Shareholders pursuant to the Charter Scheme.

To the extent that the Rollover Fund to be transferred to the Company pursuant to the Transfer Agreement includes dividends receivable and overseas withholding tax reclaims, such amounts will be transferred to the Company by the Liquidators when, and to the extent, received by Charter.

Charter will comply with all reasonable requests made by the Company in respect of the assets to be transferred to it and, in particular, shall account for income, dividends, distributions, interest and other rights received after the Effective Date in respect of those assets (except where the relevant income has not been recognised in the calculation of the Rollover Fund).

Charter will also pay to the Company pursuant to the Transfer Agreement: (a) the amount necessary to reimburse the Company in respect of the costs and expenses incurred by it in connection with the Charter Scheme; (b) a sum which, when paid to the Company in addition to the Rollover Fund, will ensure that the New Ordinary Shares will be issued by the Company pursuant to the Charter Scheme at a marginal premium in accordance with the Articles; and (c) an amount equal to the amount remaining in the Liquidation Fund following completion of the Charter Scheme after entitlements of Charter Shareholders to such amount in excess of £5.00 have been distributed to such Charter Shareholders.

Any funds remaining in the Liquidation Fund following completion of the Charter Scheme will be distributed to Charter Shareholders, save that where such distribution would amount to less than £5.00 being paid to each Charter Shareholder, such funds will instead be paid to the Company for its own account.

The Transfer Agreement excludes any liability on the part of the Liquidators for entering into or carrying into effect the Transfer Agreement.

The Transfer Agreement will be available for inspection as stated in paragraph 17 of this Part V below.

11. UK Taxation

11.1 Introduction

The following statements are based upon current UK tax law and what is understood to be the current practice of HMRC, both of which are subject to change, possibly with retrospective effect. The statements are intended only as a general guide and may not apply to certain Shareholders, such as dealers in securities, insurance companies, collective investment schemes or Shareholders who have (or are deemed to have) acquired their shares by virtue of an office or employment, who may be subject to special rules. They apply only to Shareholders resident and ordinarily resident for UK tax purposes in the UK (except in so far as express reference is made to the treatment of non-UK residents), who hold Shares as an investment rather than trading stock and who are the absolute beneficial owners of those Shares.

The information contained in this Prospectus relating to taxation matters is a summary of the taxation matters which the Directors consider should be brought to the attention of Shareholders and is based upon the law and practice currently in force and is subject to changes therein. All Shareholders, and in particular those who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the UK, should consult their own professional advisers on the potential tax consequences of holding, transferring or

otherwise disposing of Ordinary Shares, Subscription Shares or exercising the Subscription Share Rights under the laws of their country and/or state of citizenship, domicile or residence.

11.2 **The Company**

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies and continues to satisfy the conditions necessary for it to be approved by HMRC as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010 (and, for accounting periods beginning on or after 1 January 2012, under the Investment Trust (Approved Company) (Tax) Regulations 2011). However, neither the Manager nor the Directors can guarantee that this approval will be maintained. One of the conditions for a company to qualify as an investment trust is that it is not a close company. The Directors consider that the Company should not be a close company immediately following the issue of the New Ordinary Shares and New Subscription Shares pursuant to the Issue. In respect of each accounting period for which the Company continues to be approved by HMRC as an investment trust the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income in the normal way. Income arising from any overseas investments may be subject to foreign withholding tax at the relevant jurisdiction's applicable rate, but relief may be available under the terms of an applicable double tax treaty.

11.3 **Shareholders**

11.3.1 On the exercise of the right to convert any Subscription Shares into Ordinary Shares, the Ordinary Shares issued pursuant to the Subscription Share Rights will be treated as the same asset as the Subscription Shares in respect of which the Subscription Share Rights are exercised. The base cost of each such Ordinary Share will be the deemed base cost of the Subscription Share that it replaces, plus the Subscription Price.

11.3.2 *Taxation of capital gains*

Individual Shareholders who are resident or ordinarily resident in the UK for tax purposes will generally be subject to capital gains tax at the flat rate of 18 per cent. if they are basic rate taxpayers or 28 per cent. if they are higher or additional rate taxpayers in respect of any gain arising on a disposal or deemed disposal of their Ordinary Shares or Subscription Shares. No indexation allowance will be available to such Shareholders. However, each individual has an annual exemption, such that capital gains tax is chargeable only on gains arising from all sources during the tax year in excess of this figure. The annual exemption is £10,600 for the tax year 2011-2012.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

Corporate Shareholders who are resident in the UK for tax purposes will generally be subject to corporation tax on chargeable gains arising on a disposal of their Shares. The indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax but may not create or increase any allowable loss.

Capital losses realised on a disposal of Ordinary Shares or Subscription Shares must be set as far as possible against chargeable gains for the same tax year (or accounting period in the case of a corporate Shareholder), even if this reduces an individual Shareholder's total gain below the annual exemption. Any balance of losses is carried forward without time limit and set off against net chargeable gains (that is, after deducting the annual exemption) in the earliest later tax year. Losses cannot generally be carried back, with the exception of losses accruing to an individual Shareholder in the year of his death.

11.3.3 *Taxation of dividends*

Under current UK tax law, the Company will not be required to withhold tax at source when paying a dividend.

An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company should generally be entitled to a tax credit which may be set off to the appropriate extent against the Shareholder's total income tax liability on the dividend. An individual UK resident Shareholder will be liable to income tax on the sum of the tax credit and the dividend (the gross dividend) which will be treated as the top slice of the individual's income for UK income tax purposes. The tax credit equals 10 per cent. of the gross dividend. The tax credit therefore also equals one-ninth of the cash dividend received.

A UK resident individual Shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10 per cent. of the gross dividend. This means that the tax credit will satisfy in full such a Shareholder's liability to income tax on the dividend.

The rate of income tax applied to dividends received by a UK resident individual Shareholder liable to income tax at the higher rate will be 32.5 per cent. to the extent that such dividends, when treated as the top slice of the Shareholder's income, fall above the threshold for higher rate income tax. In the case of such Shareholder's liability, the tax credit will be set against, but will not fully match, their tax liability on the gross dividend. After taking account of the 10 per cent. tax credit, such Shareholder will have to account for additional tax equal to 22.5 per cent. of the gross dividend (which equals 25 per cent. of the cash dividend received) to the extent that it falls above the threshold for higher rate income tax.

With effect from 6 April 2010, a new tax rate of 50 per cent. for taxable non-savings and savings income above £150,000 has been introduced. On and after 6 April 2010, if and to the extent that the gross dividend received by a UK resident individual falls above the threshold for income tax at the new 50 per cent. rate, that individual will be subject to tax on the gross dividend at the rate of 42.5 per cent. That individual would be able to set the tax credit off against part of this liability and the effect of that set-off of the tax credit would be that such an individual would have to account for additional tax equal to 32.5 per cent. of the gross dividend (which is also equal to 36.1 per cent. of the cash dividend received), to the extent that the gross dividend falls above the threshold for the new 50 per cent. rate of income tax.

There will be no repayment of all or part of the tax credit to an individual Shareholder whose liability to income tax on all or part of the gross dividend is less than the amount of the tax credit. This will include a Shareholder who holds the Ordinary Shares or the Subscription Shares through an ISA.

UK resident tax payers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim a repayment of the tax credit attaching to dividends paid by the Company.

A corporate Shareholder who is resident in the UK or carries on a trade in the UK through a permanent establishment in connection with which its Shares are held will be subject to UK corporation tax on the gross amount of any dividends paid by the Company, unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009. It is anticipated that dividends paid on the Shares to UK resident corporate Shareholders would generally (subject to anti-avoidance rules) fall within one of those exempt classes, however, such Shareholders are advised to consult their independent professional tax advisers to determine whether such dividends will be subject to UK corporation tax.

Non-UK resident Shareholders will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by the Company. A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. It is particularly important that Shareholders who are not resident in the UK for tax purposes obtain their own tax advice concerning tax liabilities on dividends received from the Company.

11.3.4 *Stamp duty and stamp duty reserve tax*

Transfers on the sale of Ordinary Shares or Subscription Shares will generally be subject to UK stamp duty at the rate of 0.5 per cent. of the consideration given for the transfer. The purchaser normally pays the stamp duty.

An agreement to transfer Ordinary Shares or Subscription Shares will normally give rise to a charge to stamp duty reserve tax (“**SDRT**”) at the rate of 0.5 per cent. of the amount or value of the consideration payable for the transfer. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is made (or, if the agreement is conditional, the date on which the agreement becomes unconditional) any SDRT paid is repayable, generally with interest, and otherwise the SDRT charge is cancelled. SDRT is, in general, payable by the purchaser.

Paperless transfers of Ordinary Shares or Subscription Shares within the CREST system are generally liable to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Deposits of shares into CREST will not generally be subject to SDRT, unless the transfer into CREST is itself for consideration.

Where Ordinary Shares or Subscription Shares are issued or transferred: (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or; (b) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT may be payable at the higher rate of 1.5 per cent. of the amount or value of the consideration given or, in certain circumstances, the value of the Ordinary Shares or the Subscription Shares. This liability for stamp duty or SDRT will strictly be payable by the clearance service or depositary receipt operator or their nominee, as the case may be, but will, in practice, be payable by the participants in the clearance service or depositary receipt scheme.

On 1 October 2009 the European Court of Justice ruled that a charge to UK stamp duty or SDRT on the issue of shares by a limited liability company incorporated under English law into a clearance service was prohibited by Article 11(a) of Council Directive 69/335/EEC. In response to this decision, HMRC has confirmed that this 1.5 per cent. charge will not be applied on the issue of shares into a clearance service within the EU. On 9 December 2009, this was extended to the issue of shares into a depositary system. However, it remains the case that transfers of existing shares into a clearance service or depositary system will be subject to the 1.5 per cent. charge. The implications of the European Court of Justice case are still unclear, and the law in this area may be particularly susceptible to change.

11.3.5 *ISAs*

The Subscription Shares and the Ordinary Shares arising on the exercise of the Subscription Share Rights should be eligible to be held in a stocks and shares ISA, subject to applicable annual subscription limits (£10,680 for the 2011-2012 tax year). Investments held in ISAs will be free of UK tax on both capital gains and income. The opportunity to invest in Subscription Shares or Ordinary Shares through an ISA is restricted to certain UK resident individuals aged 18 or over. The Subscription Price paid upon any exercise of the right to convert Subscription Shares into Ordinary Shares would contribute towards the annual subscription limit in the year in which the Subscription Share Right was exercised, unless the Subscription Price were paid out of cash already within the Shareholder’s stocks and shares ISA, or with cash subscribed in the same tax year to a cash ISA held by the Shareholder and transferred to the Shareholder’s stocks and shares ISA. Sums received by a Shareholder on a disposal of Subscription Shares or Ordinary Shares would not count towards the Shareholder’s annual limit; but a disposal of Subscription Shares or Ordinary Shares held in an ISA will not serve to make available again any part of the annual subscription limit that has already been used by the

Shareholder in that tax year. Individuals wishing to invest in Subscription Shares through an ISA should contact their professional advisers regarding their eligibility.

11.3.6 *Self-Invested Personal Pensions (SIPPs)*

The Ordinary Shares and Subscription Shares in the Company will constitute permitted investments for SIPPs.

12. Corporate governance

The Company is committed to high standards of corporate governance. The Board has put in place a framework for corporate governance which it believes is suitable for an investment trust and which will enable the Company to comply with the UK Corporate Governance Code (the “**UKGC**”) and the AIC Code. Save as disclosed below, as at the date of this document the Company complies with the best practice provisions of the UKGC and the AIC Code.

Although the UKGC recommends the appointment of a senior independent director, the structure of the Board is such that it is considered unnecessary to identify a senior independent director.

The UKGC recommends that a board should include a combination of executive and non-executive directors. The Board, currently chaired by John Walker-Haworth, consists of four non-executive Directors, all of whom are regarded by the Board as independent of the Manager, including the Chairman.

It is also recommended under to the UKGC that a board establishes a Nomination Committee for board appointments, and provides an explanation where neither external search consultants nor open advertising is used in an appointment process. As the Board is small, it fulfils the functions of the Nomination Committee and considers, when necessary, suitable candidates for appointment and determines the remuneration of the Directors. When looking for a new Director, the Board will assess the size, balance and profile of the Board as a whole, to identify any areas that need strengthening. The existing Directors will try to identify suitable individuals from their range of contacts, although other sources, including external search consultants, may also be used as required.

An Audit and Management Engagement Committee has been established, which has written terms of reference detailing its scope and duties. Carol Ferguson is Chairman of the Audit and Management Engagement Committee and Gerald Holtham, Davina Curling and John Walker-Haworth are also members of this Committee. None of the Committee members are employed by, or are a former employee of, the Manager or any of its associates or subsidiary companies.

The Board considers that the Audit and Management Engagement Committee has sufficient recent and relevant financial experience for it to discharge its functions and responsibilities fully and effectively. The Chairman of the Company is a member of the Committee to enable him to be kept fully informed of any issues which may arise.

The Audit and Management Engagement Committee meets at least twice a year and, amongst other things, examines the effectiveness of the control systems. The two planned meetings are held prior to the Board meetings to approve the half yearly and annual results and the Committee receives information from the Manager’s corporate audit and compliance departments. The Committee does not consider that as an investment trust company it needs to hold an additional meeting although this is kept under review.

Although the UKGC recommends that remuneration should be determined by a Remuneration Committee and that directors should not be involved in the determination of their own remuneration, the remuneration of the Chairman and the Directors is determined by the Board. It is not considered necessary to have a separate Remuneration Committee as the Directors are not employed by and are not former employees of the Manager.

13. Litigation

There have been no governmental, legal or arbitration proceedings (and no such proceedings are pending or threatened of which the Company is aware) in the previous 12 months which may have, or have had in the recent past, significant effects on the Company’s financial position or profitability.

14. Third party information and consents

- 14.1 The Manager has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.
- 14.2 The Manager accepts responsibility for the information contained in the Investment Outlook section on page 26 of this document. The Manager has taken all reasonable care to ensure that the information contained in the Investment Outlook section is, to the best of its knowledge, in accordance with the facts and contains no omissions likely to affect its import.
- 14.3 Collins Stewart has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 14.4 In relation to information provided by third parties, the Company confirms that that information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

15. General

- 15.1 The Company does not conduct any significant trading activity.
- 15.2 The Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 15.3 The most recent annual fees of the auditors for audit services were £21,250 (excluding VAT). Apart from these fees and the fees payable to the Manager and the Custodian as disclosed in paragraphs 10.1 and 10.2 of this Part V there are no other material fees payable by the Company.
- 15.4 Where the Subscription Share Rights are exercised, the total assets of the Company will increase by the number of Ordinary Shares issued upon such exercise, multiplied by the Subscription Price. It is not expected that the exercise of the Subscription Share Rights will have any material impact on the earnings and liabilities per Ordinary Share as the net proceeds resulting from such exercise are expected to be invested in investments consistent with the investment objective and policy of the Company.
- 15.5 The issue of the New Ordinary Shares and New Subscription Shares into, or to persons resident in or citizens of, jurisdictions outside the United Kingdom, the Channel Islands and the Isle of Man may be affected by the laws of such other jurisdictions. No action has been taken or will be taken in any jurisdiction other than the United Kingdom, the Channel Islands or the Isle of Man, where action for that purpose is required, which would permit the issue of the New Ordinary Shares and New Subscription Shares or the possession, circulation or distribution of this document or any material relating to the Proposals or the Issue.

Accordingly, Overseas Charter Shareholders should inform themselves about and observe any legal requirements. In particular:

- 15.5.1 the New Ordinary Shares and New Subscription Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, or qualify under applicable United States State statutes, the relevant clearances have not been, and will not be, obtained from the Securities Commission of any province of Canada, Australia or Japan and, except in restricted circumstances, the New Ordinary Shares and New Subscription Shares will not be offered or sold, directly or indirectly, in or into any of the Restricted Territories; and
- 15.5.2 the New Ordinary Shares and New Subscription Shares will not be registered under the United States Investment Company Act of 1940, as amended, and Charter Shareholders will not be entitled to the benefits of such act.

It is the responsibility of all Overseas Charter Shareholders to satisfy themselves as to the observance of the laws and regulations of the relevant jurisdiction in connection with the Issue,

including the obtaining of any governmental or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

16. Auditors

The auditors to the Company for the three financial years ended 31 August 2009, 2010 and 2011 were Ernst & Young LLP of 1 More London Place, London SE1 2AF.

17. Documents on display

The following documents will be available for inspection during usual business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company, 12 Throgmorton Avenue, London EC2N 2DL for so long as this document remains valid:

- 17.1 this document;
- 17.2 the Circular;
- 17.3 the circular sent to Charter Shareholders dated 26 January 2012 containing full details of the Charter Scheme;
- 17.4 the Transfer Agreement;
- 17.5 the Articles;
- 17.6 the audited accounts of the Company for the financial years ended 31 August 2009, 2010 and 2011 respectively; and
- 17.7 the letters of consent referred to in paragraphs 14.1 and 14.3 above.

18. Availability of Prospectus

Copies of the Prospectus are available for viewing online at the National Storage Mechanism (www.hemscott.com/nsm.do) and, until 24 February 2012, are available for collection, free of charge, from the offices of Collins Stewart Europe Limited, 88 Wood Street, London, EC2V 7QR and from the registered office of the Company, 12 Throgmorton Avenue, London EC2N 2DL.

PART VI

TRANSFER RESTRICTIONS

Each recipient of Shares, and each subsequent purchaser of Shares, will be deemed to have represented, acknowledged and agreed as follows (terms used below that are defined in Regulation S under the Securities Act have the meanings given to them in Regulation S):

1. It and the person, if any, for whose account or benefit it is acquiring the Shares are not US Persons and are being issued the Shares outside the United States in an offshore transaction meeting the requirements of Regulation S.
2. The Shares are being offered in a transaction not involving a public offering within the United States and the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold or otherwise transferred, directly or indirectly, in or into the United States or to (or for the account or benefit of) US Persons absent registration or an applicable exemption from registration under the Securities Act.
3. The Company has not registered and will not register as an “investment company” under the Investment Company Act and that the Company has elected to impose certain purchase and transfer restrictions with respect to persons in the United States and US Persons, to ensure that the Company will have no obligation to register as an investment company under the Investment Company Act.
4. It understands that each Share offered and sold in certificated form will contain a legend substantially to the following effect unless otherwise agreed by the Company and the holder of the Share in accordance with applicable law:

The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the “Investment Company Act”). In addition, the Shares have not been and will not be registered under the US Securities Act of 1933, as amended (the “Securities Act”). Consequently, this security may not be offered or sold or otherwise transferred, directly or indirectly, within the United States or to, (or for the account or benefit of), US Persons, or under circumstances which will require the Company to register under the Investment Company Act.

5. It is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to, or for offer or sale in connection with, any distribution of the Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws of the United States or any state or jurisdiction thereof.
6. It acknowledges that it is not purchasing the Shares as a result of or pursuant to any directed selling efforts as defined in Regulation S.
7. It has received, carefully read and understands this Prospectus, and has not distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Shares to any persons within the United States or to any US Persons, nor will it do any of the foregoing and that it understands that this Prospectus is subject to the requirements of the Prospectus Directive (Directive 2003/71/EC) and all rules promulgated thereunder and the information therein, including any financial information, may be materially different from the disclosure that would be provided in a US offering.
8. It agrees that if in the future it decides to offer, resell, pledge or otherwise transfer such Shares, any offer, resale or transfer will be made in compliance with the Securities Act, the Investment Company Act or any other applicable securities laws of the United States or any state thereof and only: (i) outside the United States in an offshore transaction complying with the provisions of Regulation S under the Securities Act to a non-US Person; or (ii) to the Company.

9. At the time the Shares are acquired, it is not an affiliate of the Company or a person acting on behalf of such an affiliate and it is not acquiring the Shares for the account of an affiliate of the Company or of a person acting on behalf of such an affiliate.
10. It acknowledges that the Company reserves the right to make inquiries of any holder of the Shares therein at any time as to such person's status under the securities laws of the United States or any state thereof and to require any such person that has not satisfied the Company that such person is holding appropriately under the securities laws of the United States or any state thereof to transfer such Shares immediately under the direction of the Company.
11. It acknowledges that the Company may receive a list of participants holding positions in its securities from one or more book-entry depositories.
12. It acknowledges that the Company will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that if any of the acknowledgements, representations or agreements made by it are no longer accurate or have not been complied with, it will immediately notify the Company and, if it is acquiring any Shares as a fiduciary or agent for one or more accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and warranties and enter into the agreements contained herein on behalf of each such account.

Dated: 26 January 2012

