

A copy of this document, which contains listing particulars with regard to Fidelity Japanese Values PLC (the "Company") in accordance with the listing rules made under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in accordance with section 149 of that Act.

Persons receiving this document should note that, in connection with the Offer, NatWest Wood Mackenzie & Co. Limited is acting for the Company and no-one else and will not be responsible to any other person for providing the protections afforded to customers of NatWest Wood Mackenzie & Co. Limited or providing advice in connection with the Offer.

Application has been made to The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited for all the Ordinary Shares and Warrants of the Company issued and now being issued to be admitted to the Official List. Dealings in the Ordinary Shares and the Warrants are expected to commence separately on 15th March, 1994.

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

FIDELITY JAPANESE VALUES PLC

(Incorporated in England and Wales under the Companies Act 1985, registered no. 2885584)

Placing
and
Offer for Subscription
by

NatWest Wood Mackenzie & Co. Limited
of

up to 150,000,000 Ordinary Shares of 25p each
with Warrants attached on a 1 for 5 basis
at 100p per Ordinary Share
payable in full upon application

LONDON STOCK EXCHANGE

Listing Department

Listing particulars approved

Date: 10th March 1994

Signed: 1. [Signature] 2. [Signature]

SHARE CAPITAL

Authorised			Issued and to be issued fully paid*	
£	Number		£	Number
57,500,000	230,000,000	Ordinary Shares of 25p each	37,500,000	150,000,000

*On the basis that the Offer is fully subscribed

INDEBTEDNESS

At the date of this document, the Company has no loan capital (including term loans) outstanding, or created but unissued, and no outstanding mortgages, charges, debentures or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances or acceptance credits, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

THE PLACING AND OFFER FOR SUBSCRIPTION

The Company is offering for subscription up to 150,000,000 Ordinary Shares (with one Warrant attached for every five Ordinary Shares at no additional cost) at 100p per Ordinary Share. The minimum subscription for Ordinary Shares under the Offer is 1,000 shares.

The offer of Ordinary Shares is not being underwritten and the Offer will not proceed unless subscriptions are received in aggregate for at least 25,000,000 Ordinary Shares. Indications of interest from prospective placees have been received for 86,000,000 Ordinary Shares and subscriptions from such placees will be satisfied in full. The application lists will open at 10.00 a.m. on Tuesday 8th March, 1994 and may be closed at any time thereafter.

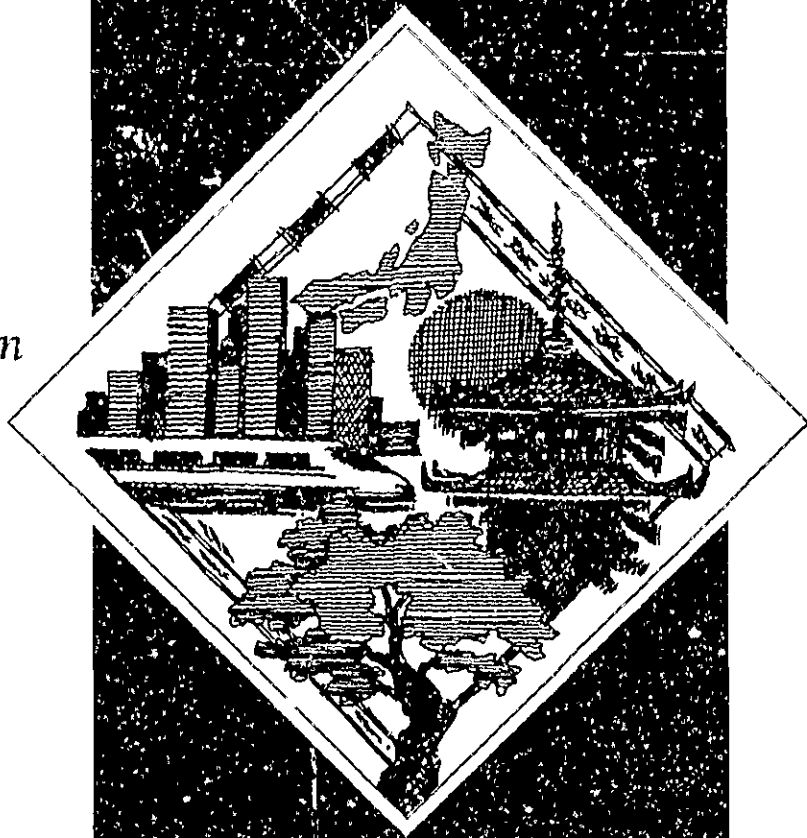
The terms and conditions of, and the procedure for, application under the Offer for Subscription are set out at the end of this document and an Application Form is attached.

Completed Application Forms must be posted or delivered by hand to New Issues Department, Barclays Registrars, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or delivered, by hand only, to Barclays Registrars, 170 Fenchurch Street, London EC3 in each case so as to be received by 10.00 a.m. on Tuesday 8th March, 1994.

Fidelity Japanese Values PLC

Prospectus

Placing and Offer for Subscription



SPONSORED BY

*NatWest Wood Mackenzie
& Co. Limited*

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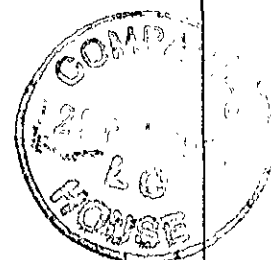
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Fidelity Japanese Values PLC

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Fidelity Japanese Values PLC

Key Information

- Fidelity Japanese Values PLC is a new United Kingdom investment trust company which will be managed by Fidelity Investments International, part of the Fidelity Organisation which had total assets under management exceeding £180 billion as at 31st December, 1993, including over £3 billion of Japanese equities.
- The investment objective of the Company will be to achieve long-term capital growth from an actively managed portfolio of securities primarily of small and medium-sized Japanese companies listed or traded on Japanese stock markets.
- The Company will issue up to 150 million Ordinary Shares at 100p per share, fully paid, with Warrants attached (at no additional cost) on a 1 for 5 basis.
- The Directors believe that an attractive long-term opportunity now exists for selective investment in smaller Japanese companies.
- The Manager will aim to achieve a capital return on the Company's total assets over the longer term in excess of the equivalent return on both the Tokyo Stock Exchange Second Section Index and the FT-Actuaries Japan Index (in both cases as expressed in sterling).
- The Company's investments will be managed by the same Fidelity team which manages Fidelity Japan Smaller Companies Trust, an authorised UK unit trust which has achieved a superior long-term performance record in its peer group of Japanese unit trusts.
- Shareholders will have the opportunity to vote on the future of the Company at the annual general meeting in 2004.

Offer Statistics*

Maximum number of Ordinary Shares in issue following the Offer	150,000,000
Maximum number of Warrants in issue following the Offer	30,000,000
Offer price per Ordinary Share	100p
Maximum net proceeds of the Offer	£144,000,000
Initial net asset value per Ordinary Share	96.0p

*Assuming that the Offer is fully subscribed

Definitions

"Act"	the Companies Act 1985 as amended from time to time
"Company"	Fidelity Japanese Values PLC
"Directors"	the directors of the Company
"Fidelity Organisation" or "Fidelity"	the Fidelity Organisation, comprising FMR Corp., USA, and Fidelity International Limited, Bermuda, and their respective subsidiary companies.
"FT-Actuaries Japan Index"	the FT-Actuaries Japan Index (as expressed in sterling), comprised in the FT-Actuaries World Indices
"Manager"	Fidelity Investments International
"MSCI EAFE Index"	the Morgan Stanley Capital International Europe, Australasia, Far East Index
"NatWest Wood Mackenzie"	NatWest Wood Mackenzie & Co. Limited
"Offer"	the placing and offer for subscription of Ordinary Shares (with Warrants attached), details of which are contained in this document
"Ordinary Shares"	ordinary shares with a nominal value of 25p each in the Company
"Shareholders"	holders of Ordinary Shares
"TSE First Index"	the Tokyo Stock Exchange First Section Index
"TSE Second Index"	the Tokyo Stock Exchange Second Section Index
"the London Stock Exchange"	The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited
"Warrants"	warrants to subscribe for Ordinary Shares, the terms and conditions of which are set out in Part II of this document
"Warrantholders"	holders of Warrants

Offer Timetable

	1994
Latest time and date for receipt of applications	10.00 a.m., 8th March
Basis of allocation expected to be announced by	5.00 p.m., 9th March
Despatch of certificates in respect of Ordinary Shares and Warrants	14th March
Separate dealings in Ordinary Shares and Warrants expected to commence on	15th March

Directors, Manager and Advisers

Directors (non-executive)

Sir Peter Parker, KBE, LVO (Chairman)
Barry Richard James Bateman
Robert Alex Hammond-Chambers
John Alston Morrell
The Rt. Hon. Sir John Paul Stanley, MP
all of Oakhill House, 130 Tonbridge Road,
Hildenborough, Tonbridge, Kent TN11 9DZ

Manager, Secretary and Registered Office of the Company

Fidelity Investments International
Oakhill House
130 Tonbridge Road
Hildenborough
Tonbridge
Kent TN11 9DZ

Sponsors

NatWest Wood Mackenzie & Co. Limited
135 Bishopsgate
London EC2M 3XT

Solicitors to the Company and the Sponsors

Slaughter and May
35 Basinghall Street
London EC2V 5DB

Auditors

Coopers & Lybrand
Chartered Accountants
Plumtree Court
London EC4A 4HT

Receiving Agents
New Issues Department
Barclays Registrars
PO Box 166
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TH

Registrars
Barclays Registrars
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Bankers and Custodian
Clydesdale Bank PLC
30 St. Vincent Place
Glasgow G1 2HL

PART I

Introduction

Fidelity Japanese Values PLC is a new United Kingdom investment trust company which will be managed by Fidelity Investments International, part of the Fidelity Organisation, one of the world's largest investment management organisations which had total assets under management exceeding £180 billion as at 31st December, 1993, including over £3 billion of Japanese equities.

Investment Objective and Policy

The Company's investment objective will be to achieve long-term capital growth from an actively managed portfolio of securities primarily of small and medium-sized Japanese companies listed or traded on Japanese stock markets. At the present time such companies would be those with a market capitalisation of less than the equivalent of £500 million each: as at 18th February, 1994, there were 1,897 such companies representing approximately 11 per cent. of the total market capitalisation of the Japanese stock markets. It is the intention of the Directors that over 90 per cent. of the portfolio will normally be invested in such smaller Japanese companies.

The markets in which the Company will invest will comprise primarily the Tokyo Stock Exchange, the regional stock markets of Fukuoka, Hiroshima, Kyoto, Nagoya, Niigata, Osaka and Sapporo and the Japanese OTC market.

The Company will invest mainly in shares but may also invest up to 30 per cent. of its assets (at the time of acquisition) in equity-related instruments (such as convertible bonds or warrants); the Company may also invest in debt instruments. The Company may invest up to 5 per cent. of its assets (at the time of acquisition) in securities which are not listed on any stock exchange or traded on the OTC market, but the Company would not normally make any such investment except where the Manager expects that the securities would shortly become registered for trading on the OTC market or become listed on a Japanese stock market.

The Manager will aim to achieve a capital return on the Company's total assets over the longer term in excess of the equivalent return on both the Tokyo Stock Exchange Second Section Index and the FT-Actuaries Japan Index, as expressed in both cases in sterling.

With a view to enhancing returns to Shareholders the Company may from time to time engage in borrowings, although the Directors do not expect that the total amount borrowed would exceed 25 per cent. of Shareholders' funds at the time. Such borrowings may take the form of an unsecured loan stock linked, for interest and capital purposes, to an appropriate Japanese stock market index.

The investment policies described above will, in the absence of unforeseen circumstances, be adhered to for a minimum period of three years from the date on which the Ordinary Shares and Warrants are first listed on the London Stock Exchange, and any material change within that period may only be made with Shareholder approval.

The Japanese Economy

Japan has been a world economic power for more than 30 years. Many Japanese companies have achieved strong positions in world markets and have a record of superior long-term earnings growth.

In 1990 Japan entered its worst economic downturn since the early 1970s. However, the Japanese government has recently taken a number of steps to stimulate the

economy. It has both eased monetary policy and announced two fiscal packages in 1993 providing for additional public investment. The Directors believe that, in contrast to the governments of many of the other major countries, the government of Japan remains in a strong financial position to introduce further measures aimed at stimulating the economy. Moreover, Japan continues to have a substantial trade surplus. In 1993, Japan's visible trade surplus over the rest of the world was US\$141 billion.

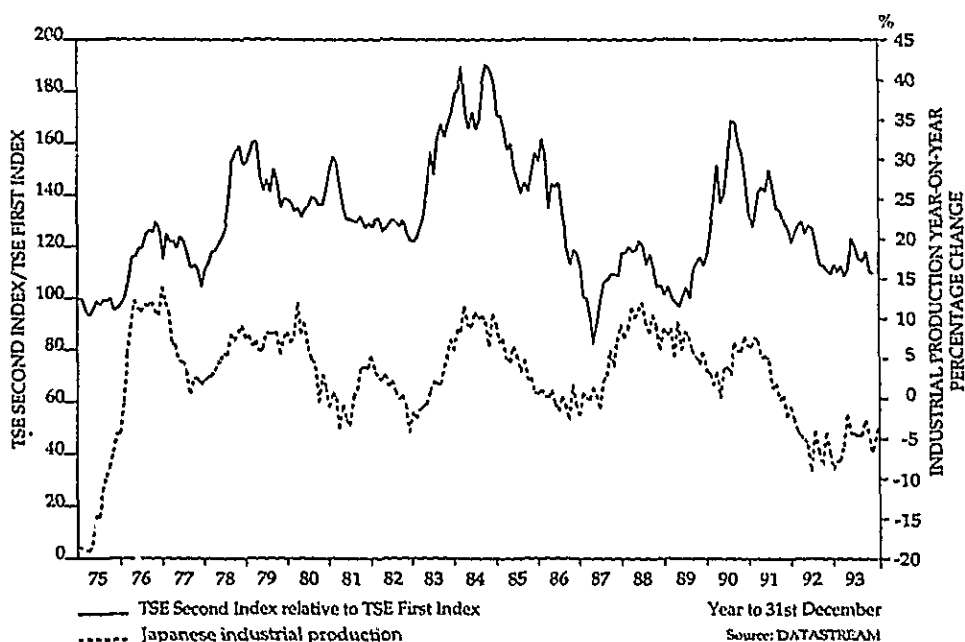
Smaller Japanese Companies

The Directors believe that two powerful factors are likely to influence the future corporate structure of Japan, to the benefit of smaller Japanese companies.

- Japan is likely to follow the pattern set by the economies of the United Kingdom and Germany in reducing its dependence on manufacturing and increasing the contribution of service industries to the economy. This should benefit smaller companies, many of which are less capital intensive and often more entrepreneurial.
- Many sectors of the Japanese economy, such as food, retail, distribution and financial services, are subject to regulations which are in the process of being relaxed or removed. Deregulation should provide opportunities for smaller, more flexible companies.

In addition, the removal of artificial price restrictions and reductions in personal taxes could lead to an upturn in Japanese domestic consumption as a percentage of GDP, which is currently significantly lower than, for example, in the USA.

Since August 1990, the shares of smaller Japanese companies have underperformed those of larger companies, as they tend to do in periods of declining industrial production. However, the reverse tends to apply in periods of economic recovery. This correlation is illustrated by the following graph, which shows the performance of the TSE Second Index relative to the TSE First Index with the year-on-year percentage change in Japanese industrial production.



The influence of the factors mentioned above, against a background of potential recovery in the Japanese economy, leads the Directors to believe that an attractive long-term opportunity now exists for selective investment in smaller Japanese companies and that such companies are likely to outperform larger Japanese companies over the longer term.

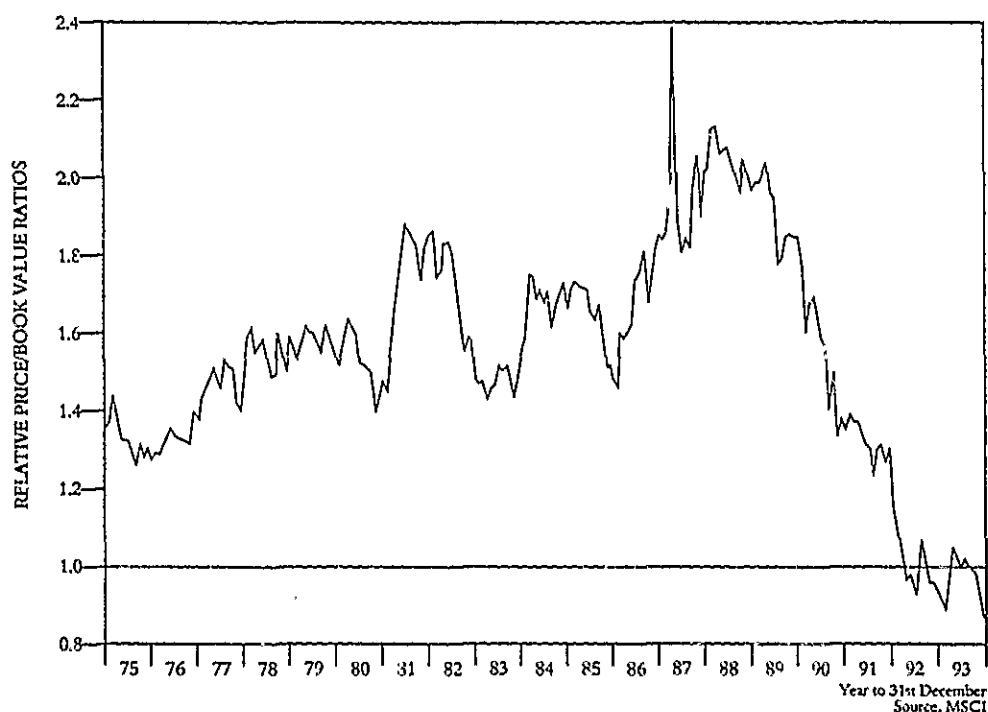
The Japanese Stock Market

The TSE Second Index rose to a peak in July 1990, since when it has declined sharply. As at 31st December, 1993, it stood at a level nearly 60 per cent. below its 1990 peak.

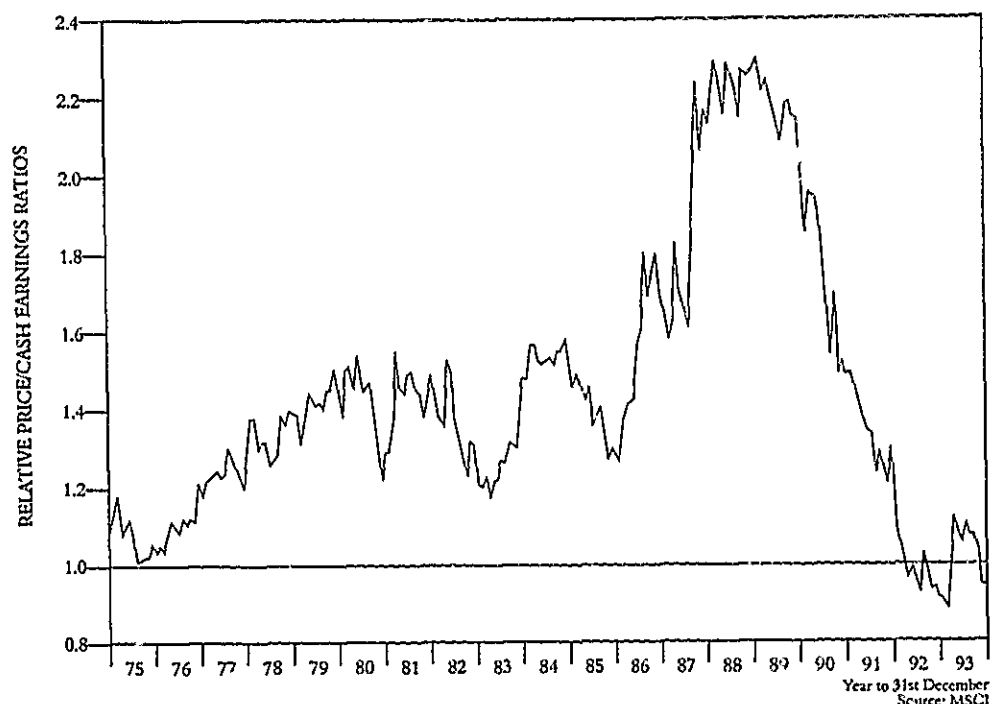
This decline since 1990 has created some attractive investment opportunities. Although, as at the end of December 1993, the price/earnings ratio on the TSE Second Index was 114, this average figure disguised a broad range of individual company ratings: approximately one-third of the stocks in the TSE Second Index had a price/earnings ratio of over 70, whilst nearly 40 per cent. were valued at below 40 times earnings. The Manager will seek to take advantage of such anomalies in its stock selection.

Moreover, on the basis of book value and cash flow measures, many Japanese companies now stand on significantly lower valuations than their international counterparts.

The following graph shows the price/book value ratios of Japanese companies included in the MSCI World Index relative to the price/book value ratios of all companies included in the MSCI World Index.



The following graph shows the price/cash earnings ratios of Japanese companies included in the MSCI World Index relative to the price/cash earnings ratios of all companies included in the MSCI World Index.



On these two bases Japanese companies currently have average valuations comparable to the average valuations of all companies included in the MSCI World Index. International investors have, however, been relatively underweight in Japanese equities. Investment surveys have indicated that, at the end of September 1993, United Kingdom pension funds had invested only 16 per cent. of their overseas equities in Japanese stocks (compared with the Japanese content of the MSCI World ex UK Index of 32 per cent.) and that, similarly, Japanese equities comprised only 29 per cent. of the overseas equities of USA pension funds (compared with the Japanese content of the MSCI EAFE Index of 47 per cent.).

Management of the Company

The Directors are responsible for the determination of the Company's investment policy and have overall responsibility for the Company's activities. The Company has, however, entered into a management agreement with the Manager, Fidelity Investments International, under the terms of which the Manager is responsible for managing the Company's portfolio of investments on a discretionary basis, subject to the overall supervision of the Directors.

Fidelity Investments International is a subsidiary of Fidelity International Limited, part of the Fidelity Organisation which had, as at 31st December, 1993, total assets under management exceeding £180 billion. Since its foundation in 1946 in Boston, USA, Fidelity has developed into one of the largest investment management organisations in the world. Fidelity International Limited in Bermuda and FMR Corp. in the United States are separate companies, sharing the same basic investment and management philosophy which has contributed to Fidelity's success around the world. The founding Johnson family are principal shareholders in both these companies.

Fidelity has 20 investment professionals specialising in Japanese equity investments, of whom 17 are based in Tokyo. The team of 8 investment managers has an average 18 years of investment experience, with an average of 12 years' service at Fidelity.

Fidelity Japanese Values PLC

Fidelity was one of the first foreign managers to open an office in Japan, in 1969, and, as at 31st December, 1993, managed Japanese equities in excess of £3 billion.

Fidelity's investment professionals undertake intensive local research and made over 1,000 visits to Japanese companies in 1993. By undertaking such research, Fidelity aims to build an information advantage. It is Fidelity's experience that such research can be utilised to exploit the market inefficiencies and hidden values in under-researched smaller Japanese companies.

The Company's investments will be managed by the same team as manages Fidelity Japan Smaller Companies Trust, an authorised UK unit trust which has achieved a superior long-term performance record in its peer group of Japanese unit trusts. As from June 1990 to December 1993, the investment policy adopted in relation to Fidelity Japan Smaller Companies Trust was broadly similar to the investment policy of the Company.

Annualised Sterling Performance to 31st December, 1993

	1 Year	3 Years	5 Years
Fidelity Japan Smaller Companies Trust	35.6%	12.3%	9.0%*
Sector average	28.6%	12.3%	3.1%
Number of unit trusts in sector	85	75	63
Quartile ranking	1	2	1
FT-Actuaries Japan Index	27.5%	11.5%	-3.1%
TSE Second Index	23.2%	2.8%	-1.8%

The annualised returns are calculated on the basis of offer to offer prices, with net income reinvested on ex-dividend dates. The annualised returns on the TSE Second Index exclude income.

The sector comprises UK authorised Japanese unit trusts as measured by Micropal.

Source: Micropal

*During the 18-month period from January 1989 to June 1990 the objective of the Fidelity Japan Smaller Companies Trust (at that time called Fidelity Eastern Opportunities Trust) was to invest both in Japan and the Pacific region. Fidelity has calculated that the 5-year performance figure, excluding the contribution of the non-Japanese holdings during that 18-month period, would have been approximately 8.8 per cent, and that the trust would have still been ranked in the first quartile within the sector.

The Board

The Directors of the Company, all of whom are non-executive, are:

Sir Peter Parker KBE LVO, Chairman (aged 69). He is Chairman of a number of companies, including Bardon Group PLC, Mitsubishi Electric UK Ltd, Whitehead Mann Group PLC, Scruttons PLC, Fidelity Japan OTC and Regional Markets Fund Limited, of The Court of The London School of Economics and Political Science and of the Japan Festival '91. In 1991, he was awarded the Grand Cordon of the Order of the Sacred Treasure by the Japanese government.

Barry Bateman (aged 48). He is President of Fidelity International Limited and a director of Fidelity European Values PLC and of a number of companies in the Fidelity Organisation. He joined Fidelity in 1981 having previously been research director at Hoare Govett and marketing director at Datastream. He is a former Chairman of the Association of Unit Trusts and Investment Funds.

Alex Hammond-Chambers (aged 51). He was Chairman of Ivory & Sime PLC. He is Chairman of Covey Advertising Ltd, European Financial Equities PLC, Fife Energy Ltd and Leveraged Opportunity Trust PLC and is a director of Ivory & Sime Optimum Investment Trust PLC and Contra-Cyclical Investment Trust PLC.

John Morrell (aged 66). He was formerly executive chairman of Baring International Investment Limited and an executive director of Baring Asset Management Limited.

He is Chairman of the Asia Pacific Fund Inc. and of Govett Emerging Markets Investment Trust PLC. He is a director of Govett Oriental Investment Trust PLC, Govett High Income Trust PLC, The Law Debenture Corporation p.l.c., Lowland Investment Company PLC and Mercury International Investment Trust PLC.

The Rt. Hon. Sir John Stanley MP (aged 52). He is currently a member of the House of Commons Select Committee on Foreign Affairs and a Vice Chairman of the Britain-Japan Parliamentary Group. He is a consultant to Fidelity Investment Management Limited and is a director of Henderson Highland Trust PLC and of The Latin American Capital Fund Limited.

Management and Administrative Charges

Under the terms of the Management Agreement between the Company and the Manager (details of which are set out in paragraph 6 of Part III), the Manager will be paid a quarterly management fee at the rate of 0.25 per cent. (plus VAT) of the value of the assets under management (as defined in the Management Agreement), together with a fee for secretarial and administration services, payable quarterly in arrear, at a rate of £25,000 per annum (plus VAT), subject to annual indexation. The Company will also pay a fee of £25,000 (plus VAT) to the Manager in respect of its participation in the Fidelity Flexible Investment Trust Plan in respect of the period ending 30th September, 1994, out of which the Manager will meet the costs of administering and marketing the plan.

Under the terms of the Custodian Agreement between the Company and Clydesdale Bank PLC, details of which are set out in paragraph 6 of Part III, Clydesdale Bank PLC is entitled to receive from the Company a fee at the rate of 0.03 per cent. per annum of the value of the assets of the Company, plus transaction charges (together with VAT).

The Company will, in addition to the above fees and charges, incur other running costs, including Directors' fees, registrars' fees, listing fees, fees for audit and other professional services, the cost of printing and posting the annual accounts and interim reports and other administrative expenses.

A portion, not exceeding 75 per cent., of the management expenses may be charged against the Company's capital reserves.

Capital Structure

The Company has a simple capital structure consisting of Ordinary Shares and Warrants. Application has been made for the Ordinary Shares and Warrants to be admitted to the Official List of the London Stock Exchange. From the commencement of dealings the Ordinary Shares and the Warrants will be traded separately.

The Ordinary Shares being made available under the Offer will rank in full for all dividends and other distributions declared or made by the Company. Shareholders are entitled to attend and vote at general meetings of the Company.

Each Warrant will carry the right to subscribe for one Ordinary Share at 100p (subject to adjustment in certain circumstances) on 30th April in any one of the years 1995 to 2004.

The terms and conditions of the Warrants are set out in Part II.

The Offer

The Offer is sponsored by NatWest Wood Mackenzie. It is proposed to raise up to £150 million before expenses by the issue of up to 150 million Ordinary Shares (with Warrants on a one for five basis) at a price of 100p per Ordinary Share by means of a placing and a public offer for subscription. NatWest Wood Mackenzie has agreed as agent for the Company (i) to use reasonable endeavours to procure placees for up to 90 million Ordinary Shares (with Warrants) and (ii) to make the Offer for Subscription. The Offer is not being underwritten and will not proceed unless subscriptions are received in aggregate for at least 25 million Ordinary Shares.

Indications of interest from prospective placees have been received for 86 million Ordinary Shares and subscriptions from such placees will be satisfied in full.

Authorised financial intermediaries will be paid a commission of 3 per cent. of the aggregate offer price in respect of Ordinary Shares (with Warrants) allotted pursuant to successful applications under the Offer for Subscription made on application forms bearing their stamp. Further information regarding commissions is set out in paragraphs 5 and 9(vi) of Part III.

The expenses of the Offer (including preliminary expenses and irrecoverable VAT) to be borne by the Company will amount to 4 per cent. of the gross proceeds of the Offer. The Manager will reimburse the Company in respect of the expenses of the Offer to the extent that they exceed this amount. If such expenses (including irrecoverable VAT) are less than 4 per cent. of such gross proceeds, the Company will pay a fee to the Manager equal to the difference. As a result of these arrangements, the initial net asset value per Ordinary Share immediately following the Offer will be 96.0p.

Duration of the Company

The Articles of Association of the Company require that an ordinary resolution be proposed to Shareholders at the annual general meeting of the Company to be held in 2004 to approve the continuation of the Company. The Articles of Association provide that, if Shareholders vote in favour of continuation, they will have the opportunity to vote on this issue every five years thereafter.

Accounts and Dividends

Accounts will be drawn up in sterling to 31st December in each year, the first accounting period being to 31st December, 1994. The Company's primary investment objective will be to achieve long-term capital growth. Having regard to the relatively low dividend yield of most Japanese companies, it is unlikely that any dividend paid by the Company will be significant. However, in order to qualify as an investment trust, the Company may not retain in any accounting period more than 15 per cent. of the income it derives from shares or securities.

Further Share Issues

The Directors are empowered following the Offer to allot new Ordinary Shares up to an amount representing one-third of the aggregate nominal amount of the Ordinary Shares in issue following the Offer. The Directors are also empowered to allot for cash, other than on a pre-emptive basis to existing Shareholders, further Ordinary Shares representing up to 5 per cent. of the Ordinary Shares in issue following the Offer. Both these authorities will expire at the conclusion of the first annual general meeting of the Company or 1st May, 1995, if earlier.

These authorities will provide the Directors with the flexibility to issue further Ordinary Shares if they deem it appropriate to do so. The authority to issue Ordinary Shares for cash will enable the Directors to issue additional new Ordinary Shares to participants in the Fidelity Flexible Investment Trust Plan in the event that the Ordinary Shares are trading at a premium to their net asset value. The Directors would not intend to use this power unless such premium were in excess of 2 per cent. and unless they considered that it was in the interest of Shareholders to do so. The Directors would not intend to issue Ordinary Shares pursuant to this power at less than the then current net asset value per share.

Taxation

The Directors intend to conduct the affairs of the Company in a manner which will satisfy the conditions for approval as an investment trust under Section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. The Company will be exempt from United Kingdom corporation tax on capital gains in respect of each accounting period for which such approval is granted.

As it will be the investment policy of the Company that at least 50 per cent. by value of the investments of the Company will be invested in non-European Community securities, the Company will not be a fully qualifying investment trust for Personal Equity Plan ("PEP") purposes. A qualifying individual will, however, be able to invest under the Offer up to one-quarter (currently £1,500) of each tax year's PEP investment limit in Ordinary Shares in the Company for inclusion in a general PEP, assuming that all other investments held within the PEP for that tax year are fully qualifying investments.

The Warrants will be traded separately from the Ordinary Shares from time of allotment and may not be transferred into a PEP.

Potential investors are referred to paragraph 7 of Part III for further details of the taxation of the Company and of Shareholders and Warrant holders and further information in relation to PEPs. If any potential investor is in doubt as to the taxation consequences of the acquisition, holding or disposal of Ordinary Shares or Warrants or investing in a PEP, he or she should consult a professional adviser.

Risk Factors

Prospective investors should recognise that the value of the securities of the Company and the income to be derived therefrom can fluctuate.

The Japanese stock markets may experience short-term volatility. Investment in the Company should accordingly be regarded as long-term in nature.

The Company will invest in securities which are not denominated or quoted in sterling. The Company's net asset value will be reported in sterling and distributions of available income will be made in sterling. Both net asset value and dividends will be affected by changes in the value of the Japanese yen relative to sterling. It is not intended to hedge this exposure, although the right to do so is reserved.

The past performance of the Fidelity Japanese Smaller Companies Trust is not necessarily a guide to the likely performance of the Company.

The Warrants have the potential for higher capital appreciation than the Ordinary Shares, but at the same time their market price is likely to be subject to greater volatility.

There is no guarantee that the market value of Ordinary Shares will fully reflect their net asset value.

Savings Plan

Ordinary Shares in the Company will be available for purchase through the Fidelity Flexible Investment Trust Plan from the date of commencement of dealings.

Applications and Dealings

The terms and conditions of application are set out at the end of this document and the procedure for application can be found in the Application Form and in the accompanying Notes on Completing the Application Form. Application Forms must be posted or delivered to New Issues Department, Barclays Registrars, P.O. Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH or by hand only to Barclays Registrars, 170 Fenchurch Street, London EC3, in each case to arrive not later than 10.00 a.m. on Tuesday 8th March, 1994.

It is expected that the basis of allocation will be announced by 5.00 p.m. on Wednesday 9th March, 1994, that definitive certificates will be posted on 14th March, 1994 and that dealings in the Ordinary Shares and the Warrants will commence separately on 15th March, 1994.

The minimum level of application for Ordinary Shares is 1,000 shares. Applicants wishing to apply for more than 1,000 shares should do so on the following basis:

Between 1,000 and 10,000 Ordinary Shares	In multiples of 500
More than 10,000 Ordinary Shares	In multiples of 1,000

PART II

Terms and Conditions of the Warrants

The Warrants will be issued subject to, and with the benefit of, the following terms and conditions:

1. SUBSCRIPTION RIGHTS

- (a) A registered holder for the time being of a Warrant (a "Warrantholder") shall have the right (a "subscription right") to subscribe in cash on 30th April in any of the years 1995 to 2004 both inclusive, (or, if later, on the date being 30 days after the date on which copies of the audited accounts of the Company for its then immediately preceding financial year are despatched to shareholders) (a "subscription date") for one Ordinary Share of 25p each in the Company (an "Ordinary Share") at the price of 100p per Ordinary Share (the "subscription price") payable in full in cash on subscription. If the Company shall change its accounting reference date from 31st December, there shall be substituted for the said 30th April the date falling four months after the new accounting reference date. The number and/or nominal value of Ordinary Shares to be subscribed pursuant to subscription rights and/or the subscription price will be subject to adjustment as provided in paragraph 2 below. The Warrants registered in a Warrantholder's name will be evidenced by a Warrant certificate issued by the Company.
- (b) In order to exercise the subscription rights in whole or in part, the Warrantholder must lodge the Warrant certificate(s), having completed the Notice of Exercise of subscription rights thereon (or such other evidence as the Directors may reasonably require as proof of the title of the person exercising the subscription rights) at the office of the registrars for the time being of the Company (the "Registrars") on or within 28 days prior to the relevant subscription date (but not later than 3.00 p.m. on that date) accompanied by a remittance for the aggregate amount payable on subscription for the Ordinary Shares in respect of which the subscription rights are being exercised. Once lodged, a Notice of Exercise of subscription rights shall be irrevocable save with the consent of the Directors of the Company. Compliance must also be made with any statutory requirements for the time being applicable. The Directors may require, as a condition of exercise of any Warrants, that the beneficial owner of such Warrants certifies that such exercise is not by or on behalf of, or with a view to a transfer of the Ordinary Shares to which the Warrants relate to, a United States Person or delivers such other certifications as to nationality or residence as they deem necessary or desirable for the best interests of the Company. Exercising Warrantholders must also comply with any legal requirements for the time being applicable.
- (c) Not earlier than eight weeks nor later than six weeks before each subscription date the Company shall give notice in writing to the holders of the outstanding Warrants reminding them of their subscription rights.
- (d) Ordinary Shares issued pursuant to the exercise of subscription rights will be allotted not later than 14 days after, and with effect from, the relevant subscription date and certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the relevant subscription date to the person(s) in whose name(s) the Warrant is registered at the date of such 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, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the Form of Nomination on the reverse of the Warrant certificate (and, if more than one, to the first named, which shall be sufficient despatch for all). No fraction of an Ordinary Share will be issued on the exercise of any Warrant and no refund will be made to a Warrantholder in respect of that part of the relevant subscription moneys which represents such a fraction (if any), provided that if more than one

Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of Ordinary Shares issuable upon the exercise of such Warrants and whether (and, if so, what) fraction of an Ordinary Share arises, the number of Ordinary Shares arising on the exercise of each Warrant shall first be aggregated. In the event of a partial exercise of the subscription rights evidenced by a Warrant certificate, the Company shall at the same time issue a fresh Warrant certificate in the name of the Warrantholder for the balance of his subscription rights remaining exercisable.

- (e) Ordinary Shares allotted pursuant to the exercise of subscription rights will not rank for any dividends or other distributions declared, paid or made for which the record date is prior to the relevant subscription date but, subject thereto, will rank in full for all dividends and other distributions in respect of the then current financial year and *pari passu* in all other respects with the Ordinary Shares in issue on the relevant subscription date. Provided that on any allotment falling to be made pursuant to paragraph 3(f) or paragraph 3(g) below, the Ordinary Shares to be allotted shall not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the date of allotment.
- (f) So long as the Company's ordinary share capital is listed on The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited (the "London Stock Exchange"), the Company will apply to the London Stock Exchange for the Ordinary Shares allotted pursuant to any exercise of subscription rights to be admitted to the Official List of the London Stock Exchange and the Company will use all reasonable endeavours to obtain the admission thereof not later than 14 days after the relevant subscription date (or the date of allotment of Ordinary Shares if allotted otherwise than on a subscription date).
- (g) If immediately after any subscription date (other than the final subscription date) and after taking account of any subscription rights exercised on that date, subscription rights shall have been exercised or cancelled in respect of 75 per cent. or more of the Ordinary Shares to which the subscription rights attached to Warrants originally issued by the Company or issued pursuant to these terms and conditions relate, the Company shall be entitled at any time within the next following 14 days to serve notice in writing on the holders of the Warrants then outstanding of its intention to appoint a trustee for the purposes set out below 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 3.30 p.m. on the 21st day. Such notice shall in its terms give the holders of the Warrants so outstanding a final opportunity to exercise their subscription rights by completing the Notice of Exercise of subscription rights on their Warrant certificates and lodging the same at the office of the Registrars before the expiry of the Notice Period. Forthwith after the expiry of the Notice Period, the Company shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of the subscription, shall within the period of 14 days following the expiry of the Notice Period either (i) exercise the subscription rights which shall not have been exercised on the terms (subject to any adjustments pursuant to paragraphs 2(a) and 2(b)) on which the same could have been exercised immediately prior to the expiry of the Notice Period if they had then been exercisable and sell in the market the Ordinary Shares acquired on such subscription or (ii) (if it appears to the trustee that doing so is likely to realise greater net proceeds for Warrantholders) accept any offer available to Warrantholders for the purchase of the Warrants. The trustee shall distribute pro rata the proceeds less such subscription costs and such other 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 one month after the expiry of the Notice Period, provided that entitlements of under £3.00 shall be retained for the benefit of the Company.
- (h) Within seven days following the final subscription date the Company shall appoint a trustee who, provided that in his opinion the net proceeds of sale after deduction of all costs and expenses incurred by him will exceed the costs of subscription, shall

within the period of 14 days following the final subscription date, either (i) exercise all the subscription rights which shall not have been exercised on the terms on which the same could have been exercised on the final subscription date and sell in the market the Ordinary Shares acquired on such subscription or (ii) (if it appears to the trustee that doing so is likely to realise greater net proceeds for Warrantholders) accept any offer available to Warrantholders for the purchase of the Warrants. The trustee shall distribute pro rata the proceeds less such subscription costs and such other costs and expenses to the persons entitled thereto at the risk of such persons within two months of the final subscription date, provided that entitlements of under £3.00 shall be retained for the benefit of the Company. If the trustee shall not so exercise the subscription rights as aforesaid (and so that his decision in respect thereof shall be final and binding on all holders of outstanding Warrants), the outstanding Warrants shall lapse at the expiry of the period of 14 days following the final subscription date.

2. ADJUSTMENTS OF SUBSCRIPTION RIGHTS

(a) Forthwith on:

- (i) any allotment of fully paid Ordinary Shares (otherwise than on the allotment of fully paid Ordinary Shares in lieu of dividend) by way of capitalisation of profits on reserves to holders of Ordinary Shares on the register on a date (or by reference to a record date) on or before the final subscription date; or
- (ii) any sub-division or consolidation of the Ordinary Shares on a date (or by reference to a record date) on or before the final subscription date,

the number and/or nominal value of Ordinary Shares to be subscribed on any subsequent exercise of subscription rights will be increased or, as the case may be, reduced in due proportion (fractions being ignored) and the subscription price will be adjusted accordingly, so as to maintain the same cost of exercising the subscription rights of each Warrantholder with effect from the record date for such capitalisation, sub-division or consolidation. Such adjustments shall be determined by the Directors and the auditors for the time being of the Company (the "Auditors") shall confirm that in their opinion the adjustments have been determined in all material respects in accordance with these terms and conditions. Within 28 days after the relevant event referred to in (i) or (ii) above, notice of such adjustments will be given to the Warrantholders and, if the Company considers it necessary or desirable, new Warrant certificates will be issued in respect of any additional Ordinary Shares for which a Warrantholder is entitled to subscribe in consequence of any such adjustment where, in its discretion, the Company elects to give effect to such adjustment by the issue of additional Warrants (as opposed to an adjustment of the subscription terms of existing Warrants). Such additional subscription rights shall confer the same rights and privileges and be subject to the same restrictions and obligations as the subscription rights which subsist at the date of the relevant capitalisation, sub-division or consolidation subject to any adjustment to the subscription price which is made in pursuance of this paragraph 2(a).

- (b) 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 to the holders of Ordinary Shares (whether by rights issue or otherwise but not being an offer to which paragraph 3(f) applies) or any offer or invitation (not being an offer to which paragraph 3(g) applies) is made to such shareholders 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 Warrantholders as if their subscription rights had been exercisable and had been exercised on the day immediately preceding the record date of such offer or invitation on the terms (subject to any adjustment pursuant to paragraph 2(a)) on which the same could have been exercised if they had then been exercisable, provided that, if the Directors so resolve in the case of any such offer or invitation made by the Company, or if the Directors are unable to procure that such offer or invitation is made, the Company shall not be required

to procure that such offer or invitation is made but the subscription price and the subscription rights shall be adjusted:

- (i) in the case of an offer of additional Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the subscription price in force immediately before such announcement by:

$$\frac{X + Y}{X + Z}$$

Where:

"X" means the number of Ordinary Shares in issue on the date of such announcement;

"Y" means the number of Ordinary Shares which the aggregate of the amount payable for the total number of additional Shares comprised in such rights issue would purchase at such market price; and

"Z" means the aggregate number of Ordinary Shares offered for subscription;

and by dividing the number of Ordinary Shares to be subscribed on any future exercise of the subscription rights by the same fraction. Such adjustment shall be determined by the Directors, and the Auditors shall confirm that in their opinion the adjustment has been determined in all material respects in accordance with these terms and conditions;

- (ii) in any other case, in such manner as the Directors shall determine and the Auditors shall report to be fair and reasonable.

Any such adjustment shall become effective as at the record date of the offer or invitation. For the purposes of this paragraph 2(b), "market price" means the average of the mid-market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained but making an appropriate adjustment if the Ordinary Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends and other distributions with the Ordinary Shares in issue on those days. The Company shall give notice to the Warrantholders within 28 days of any adjustment made pursuant to this paragraph 2(b) and, if the Company considers it necessary or desirable, despatch new Warrant certificates in the manner described in paragraph 2(a).

- (c) If at any time a Warrantholder shall become entitled to exercise his subscription rights pursuant to paragraph 3(g), the subscription price payable on such exercise of the subscription rights (but not otherwise) shall be reduced by an amount determined in accordance with the following formula:

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

where:

"A" means the reduction in the subscription price;

"B" means the subscription price ruling immediately before the adjustment;

"C" means the average of the mid-market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of such offer (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" means the average of the mid-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 such offer (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.

However:

- (i) no adjustment shall be made in the subscription price where the value of D exceeds the aggregate value of B and C;
- (ii) the subscription price shall be further adjusted to take account of the market value of the Warrants (which shall be deemed to be equal to the value of C) having regard, *inter alia*, to the time value of money in such manner as the Directors shall determine and as the Auditors shall report, in all the circumstances, to be fair and reasonable; and
- (iii) the subscription price shall not be adjusted so as to cause the Company to be obliged to issue Ordinary Shares at a discount and, if the application of the above formula would, in the absence of this sub-paragraph (iii), have reduced the subscription price to below the then nominal value of an Ordinary Share, the number of Ordinary Shares to be subscribed on any subsequent exercise of the subscription rights in accordance with paragraph 3(g) but not otherwise shall be adjusted by the Directors in such manner as they determine to be appropriate, and the Auditors report to be fair and reasonable, to achieve, so far as is possible, the same economic result for the Warrantholders as if the subscription price had been adjusted without regard to this sub-paragraph (iii) in all the circumstances.

Such reduction shall be determined by the Directors and the Auditors shall confirm that, in their opinion, in all the circumstances, the reduction has been determined in all material respects in accordance with these terms and conditions.

Any such adjustment shall become effective on the date on which the Company becomes aware that, as a result of such offer as is referred to in paragraph 3(g), the right to cast a majority of the votes which may normally be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies. Publication of a scheme of arrangement or conclusion of a legally binding agreement providing for the acquisition by any person of the whole or any part of the issued ordinary share capital of the Company (by whatever means) shall be deemed to be the making of an offer for the purposes of this paragraph 2(c) and paragraph 3(g). The Company shall give notice to the Warrantholders within 28 days of any adjustments made pursuant to this paragraph 2(c) and, if the Company considers it necessary or desirable, despatch a new Warrant certificate in the manner described in paragraph 2(a).

- (d) If an order is made or an effective resolution is passed for winding up the Company (except for the purposes of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the Warrantholders), the provisions of paragraph 2(c) shall apply *mutatis mutandis* and any adjustment made pursuant to this paragraph 2(d) shall be calculated by reference to, and shall become effective on, the day immediately before the date of such order or resolution. For the purposes of applying the formula set out in paragraph 2(c) above, "C" shall be the average of the mean of the quotations as derived from The Stock Exchange Daily Official List for one Warrant for the ten consecutive London Stock Exchange dealing days ending on the dealing day immediately preceding the earliest of the following dates: (i) the date of an announcement by the Directors of their intention to convene an extraordinary general meeting for the purpose of passing a resolution to wind-up the Company; (ii) the date of the notice of an extraordinary general meeting convened for the purpose of passing a resolution to wind up the Company; (iii) the date of commencement of the winding-up of the

Company by the court; and (iv) the date of suspension by the London Stock Exchange of dealings in the Warrants prior to the making of such announcement by the Directors; and "D" shall be the amount per share as determined by the Directors with confirmation from the Auditors that such determination is fair and reasonable which each holder of an Ordinary Share would be entitled to receive on such winding-up in accordance with paragraph 3(i), on the assumption that all Warrants then unexercised had been exercised in full at the relevant subscription price and the subscription moneys in respect thereof had been received in full by the Company.

3. OTHER PROVISIONS

So long as any subscription rights remain exercisable:

- (a) the Company shall not (except with the sanction of an extraordinary resolution of the Warrantholders) (i) make any distribution of capital profits or capital reserves (including all surpluses and accretions required to be credited to capital reserve by the Company's Articles of Association) except by means of a capitalisation issue in the form of fully paid Ordinary Shares or (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 (iii) on or by reference to a record date falling within the period of six weeks ending on any subscription date make any such allotment, sub-division or consolidation as is referred to in paragraph 2(a) or any such offer or invitation as is referred to in paragraph 2(b) (except by extending to Warrantholders or procuring the extension to Warrantholders of any such offer or invitation as may be made by a third party);
- (b) the Company shall not (except with the sanction of an extraordinary resolution of the Warrantholders) in any way modify the rights attached to its existing Ordinary Shares as a class (but so that nothing herein shall restrict the right of the Company to increase or to consolidate or sub-divide its share capital), or create or issue any new class of equity share capital (as defined in section 744 of the Companies Act 1985) except for shares which, as compared with the rights attached to the existing Ordinary Shares, carry rights which are not more advantageous as regards voting, dividend 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(b), if in either case as a result the Company would on any subsequent exercise of the subscription rights be obliged to issue Ordinary Shares at a discount to nominal value;
- (d) the Company shall not (except with the sanction of an extraordinary resolution of the Warrantholders) (i) amend its Articles of Association so as to enable any distribution of capital profits or capital reserves (save as permitted by sub-paragraph 3(a) above) or (ii) (except as authorised by sections 130 to 134 (inclusive) or sections 159 to 181 (inclusive) of the Companies Act 1985) reduce its share capital or any share premium account or capital redemption reserve;
- (e) (i) the Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all subscription rights remaining exercisable without the need for the passing of any further resolutions of shareholders;
- (ii) the Company shall not make any allotment of fully paid Ordinary Shares by way of capitalisation of capital profits or reserves unless at the date of such allotment the Directors of the Company have authority for the purposes of section 80 of the Companies Act 1985 to grant the additional rights to subscribe to which the Warrantholders would by virtue of paragraph 2(a) be entitled in consequence of such capitalisation and section 89(1) of the Companies Act 1985 shall have been disapplied to the extent (if any) necessary to enable such grant; and
- (iii) the Company shall not make any such offer or invitation as is referred to in paragraph 2(b) to the holders of Ordinary Shares unless:

- (1) where such offer or invitation involves the allotment of relevant securities (as defined in section 80 of the Companies Act 1985) the Directors shall have authority for the purposes of the said section 80 to allot any such securities to be allotted to the Warrantholders in accordance with paragraph 2(b); and
 - (2) section 89(1) of the Companies Act 1985 shall have been disapplied to the extent (if any) necessary to enable the Company to make such offer or invitation to the Warrantholders and to effect any allotment pursuant thereto;
- (f) if at any time an offer or invitation is made by the Company to the holders of its Ordinary Shares for the purchase by the Company of any of its Ordinary Shares, the Company shall simultaneously give notice thereof to the Warrantholders and each Warrantholder shall be entitled, at any time while such offer or invitation is open for acceptance, to exercise his subscription rights on the terms (subject to any adjustments pursuant to paragraphs 2(a) and 2(b)) on which the same could have been exercised if they had been exercisable on the day immediately preceding the record date for such offer or invitation and so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation;
 - (g) subject to paragraph 3(h), if at any time an offer is made to all holders of Ordinary Shares (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 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 Warrantholders of such vesting within 14 days of its becoming so aware and each Warrantholder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his subscription rights on the terms (subject to any adjustments pursuant to paragraphs 2(a), 2(b) and 2(c)) on which the same could have been exercised if they had been exercisable on the day on which the Company shall become aware as aforesaid.
 - (h) if any offer as is referred to in paragraph 3(g) shall be made whereunder the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants which the financial advisers to the Company shall consider in their opinion (acting as experts and not as arbitrators) to be fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the financial advisers to the Company to be relevant), then any Director of the Company shall be authorised as attorney for the Warrantholders (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares in the offeror as aforesaid whereupon all the Warrants shall lapse and (ii) to do all such acts and things as may be necessary or appropriate in connection therewith, subject in the case of both (i) and (ii) aforesaid to such offer becoming or being declared unconditional in all respects and the offeror being in a position compulsorily to acquire the whole of the issued ordinary share capital of the Company;
 - (i) if an order is made or an effective resolution is passed for winding up the Company (except for the purposes of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the Warrantholders), each Warrantholder shall (if in such winding-up and on the basis that all subscription rights then unexercised had been exercised in full and the subscription price therefor (taking account of any adjustments to the subscription price pursuant to paragraphs 2(a), 2(b) and 2(d)), had been received in full by the Company there would be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the subscription rights (taking account of any adjustments to the

subscription price pursuant to paragraphs 2(a), 2(b) and 2(d)), which would on such basis exceed in respect of each Ordinary Share a sum equal to such subscription price) be treated as if immediately before the date of such order or resolution (as the case may be) his subscription rights had been exercisable and had been exercised in full on the terms (subject to any adjustments pursuant to paragraphs 2(a), 2(b) and 2(d)) on which the same could have been exercised if they had been exercisable on the day immediately before the date of such order or resolution (as the case may be) and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Ordinary Shares such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the subscription price (subject to any adjustments pursuant to paragraphs 2(a), 2(b) and 2(d)). Subject to the foregoing, all subscription rights shall lapse on liquidation of the Company; and

- (j) the Company shall not change its accounting reference date from 31st December except to a date falling within seven days before or after 31st December without giving to the Warrantholders not less than two months' notice thereof and of the new date to be substituted for 30th April in paragraph 1(a).

4. MODIFICATION OF RIGHTS AND MEETINGS

All or any of the rights for the time being attached to the Warrants may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the Warrantholders. All the provisions of the Articles of Association for the time being of the Company as to general meetings shall *mutatis mutandis* apply as though the Warrants were a class of shares forming part of the capital of the Company but so that (a) the necessary quorum shall be Warrantholders present in person or by proxy entitled to subscribe for one-third in nominal amount of the Ordinary Shares attributable to such outstanding Warrants, (b) every Warrantholder present in person at any such meeting shall be entitled on a show of hands to one vote and every Warrantholder present in person or by proxy at any such meeting shall be entitled on a poll to one vote for each Ordinary Share for which he is entitled to subscribe, (c) any Warrantholder present in person or by proxy may demand or join in demanding a poll and (d) at any adjourned meeting those Warrantholders present in person or by proxy shall be a quorum (whatever the number of Warrants held or represented by such Warrantholders).

5. TRANSFER

Each Warrant will be registered and will be transferable in whole or in part by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an Ordinary Share may be effected. Subject as aforesaid, the provisions of the Articles of Association for the time being of the Company relating to the registration, transfer, compulsory transfer and transmission of Ordinary Shares and the issue of certificates shall apply *mutatis mutandis* to the Warrants.

6. PURCHASE OR SURRENDER OF WARRANTS

The Company and its subsidiaries shall have the right to purchase Warrants in the market or at any price by tender (available to all Warrantholders alike) or by private treaty or otherwise and the Company may accept the surrender of a Warrant at any time. All Warrants so purchased or surrendered shall forthwith be cancelled and shall not be available for re-issue or re-sale.

7. FURTHER ISSUES

The Company may from time to time without the consent of the Warrantholders create and issue further warrants, whether or not so as to form a single series with the outstanding Warrants.

8. GENERAL

- (a) The Company will concurrently with the issue of the same to the holders of its Ordinary Shares send to each Warrantholder (or, in the case of joint holders, to the first named) a copy of each published annual report and accounts of the Company together with all documents required by law to be annexed thereto, and copies of all statements, notices, circulars and other documents issued by the Company to holders of Ordinary Shares.
- (b) For the purposes of these conditions, "extraordinary resolution of the Warrantholders" means a resolution proposed at a meeting of the Warrantholders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll.
- (c) If any subscription date would, but for the provisions of this paragraph 8(c), fall on a day which is not a business day, the relevant subscription date shall be the next following business day.
- (d) For the purposes of these terms and conditions:
 - (i) "business day" means a day (other than a Saturday) on which banks in London are open for business;
 - (ii) "dealing day" means a day on which dealings take place on the London Stock Exchange;
 - (iii) "financial year" has the meaning ascribed thereto by section 223 of the Companies Act 1985 as inserted by the Companies Act 1989; and
 - (iv) "United States Person" means any person or entity defined as such in Rule 902(o) of the United States Securities Act 1933, as amended, and, without limiting the foregoing, includes any resident of the United States, or any corporation, partnership or other entity created or organised in or under the laws of the United States (including the estate of any such person, corporation or partnership created or organised in the United States) and United States mean the United States of America (including the States and District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.
- (e) Any determination or adjustment made pursuant to these terms and conditions by the Directors or the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the Warrantholders.
- (f) Any reference to a statutory provision shall include that provision as from time to time modified or re-enacted.
- (g) The provisions of the Company's Articles of Association as to notices to shareholders shall apply *mutatis mutandis* to notices to Warrantholders.
- (h) The Warrants shall be governed by, and construed in accordance with, English law.

PART III

General Information

1. INCORPORATION AND ADMINISTRATION

- (i) The Company was incorporated in England and Wales as a public limited company on 7th January, 1994 under the Act, with the name Savemargin Public Limited Company and with registered number 2885584.

The Company's name was changed to Fidelity Japanese Values PLC with effect from 10th February, 1994. It has not yet commenced business, has made up no accounts for presentation to its members and has not declared or paid a dividend. On 14th February, 1994 the Registrar of Companies issued a certificate under section 117 of the Act entitling the Company to commence business.

The Company operates under the Act and the regulations made thereunder.

- (ii) The principal place of business and registered office of the Company is at Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent TN11 9DZ.
- (iii) The Company has no, and has not had any, subsidiaries or employees. Save as set out in paragraphs 2, 5 and 6 of this Part III, there has been no significant change in the financial or trading position of the Company since the date of its incorporation.
- (iv) Coopers & Lybrand have been the only auditors of the Company since its incorporation.
- (v) It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the requirements for qualification as an investment company under section 266 of the Act and the Company has given notice to the Registrar of Companies of its intention to carry on business as an investment company pursuant to that section.

2. SHARE CAPITAL

- (i) The Company was incorporated with an authorised share capital of £100,000 divided into 100,000 shares of £1 each, of which two shares were issued to the subscribers to the Memorandum of Association. On 10th February, 1994 the two subscriber shares were transferred to the Manager and a nominee for the Manager.
- (ii) At an extraordinary general meeting of the Company held on 10th February, 1994 it was resolved to subdivide each of the issued and unissued shares of £1 each in the capital of the Company into four Ordinary Shares of 25p each, to amend the Memorandum of Association of the Company with respect to its objects and to adopt new Articles of Association. At a further extraordinary general meeting of the Company held on 21st February, 1994 it was resolved to increase the capital of the Company to £57,500,000 divided into 230,000,000 Ordinary Shares of 25p each and to grant to the Directors the necessary authorities pursuant to sections 80 and 89 of the Act to allot Ordinary Shares (with Warrants attached) pursuant to the Offer. At the same extraordinary general meeting it was resolved:
 - (a) to authorise the Directors to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount equal to the lesser of £19,000,000 and one-third of the aggregate nominal amount of the issued share capital of the Company following the completion of the Offer, such authority to expire at the conclusion of the first annual general meeting of the Company or on 1st May, 1995, whichever is the earlier; and
 - (b) to authorise the Directors, pursuant to section 95 of the Act, to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority referred to in sub-paragraph (a) above as if section 89(1) of the Act

Fidelity Japanese Values PLC

did not apply to the allotment, but such power was limited to the allotment of equity securities in connection with a rights issue and the allotment (otherwise than pursuant to a rights issue) of equity securities up to an aggregate nominal amount equal to the lesser of £2,850,000 and five per cent. of the aggregate nominal amount of the issued share capital of the Company following the completion of the Offer.

- (iii) On 10th February, 1994 the Manager was allotted 199,992 Ordinary Shares of 25p each, against its irrevocable undertaking to pay or procure payment of 100p in cash for each Ordinary Share on or before the date of their admission to the Official List of the London Stock Exchange unless such admission does not become effective by 15th April, 1994 whereupon the Manager shall make a part payment of 7p in cash for each Ordinary Share on or before 30th June, 1994. These Ordinary Shares and the eight Ordinary Shares of 25p each (arising from the sub-division referred to above) and held by or on behalf of the Manager are included in the Offer.
- (iv) Save for the Warrants and as referred to in paragraph 5 of this Part III, no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option.
- (v) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are or are to be paid up in cash) apply to the authorised and unissued share capital of the Company after the completion of the Offer except to the extent disapplied as mentioned in paragraph 2(ii) above.
- (vi) Save as disclosed in paragraphs 2 and 5 of this Part III since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration and no discounts or other special terms have been granted to the Company in connection with the issue or sale of any such capital.
- (vii) No application is being made for the Ordinary Shares or Warrants to be listed or dealt in on any stock exchange or investment exchange other than the London Stock Exchange.
- (viii) Save in connection with the Offer or as envisaged in "Further Share Issues" in Part I of this document, no material issue of shares (other than to Shareholders *pro rata* to existing holdings or pursuant to the exercise of the Warrants) will be made within one year of the date hereof without the prior approval of Shareholders in general meeting.
- (ix) The Ordinary Shares and the Warrants will be in registered form.
- (x) Assuming full subscription under the Offer, the issued share capital of the Company will be £37,500,000 divided into 150,000,000 Ordinary Shares of 25p each. There will remain authorised but unissued £20,000,000 divided into 80,000,000 Ordinary Shares of 25p each, of which 30,000,000 Ordinary Shares will be reserved for issue upon exercise of the Warrants.

3. DIRECTORS' AND OTHER INTERESTS

- (i) No Director has an interest, beneficial or otherwise, in the capital of the Company which is required to be notified to the Company pursuant to sections 324 and 328 of the Act or required to be entered in the register of Directors' interests maintained under section 325 of the Act. No other persons connected (within the meaning of section 346 of the Act) with the Directors have any interest in the capital of the Company. The following Directors, including their families and connected persons, have, however, indicated that they intend to apply in the Offer for the number of Ordinary Shares and Warrants set out below, and it is intended that these applications will be accepted in full by the Company:

Name	Number of Ordinary Shares	Number of Warrants
Barry Bateman	5,000	1,000
Alex Hammond-Chambers	5,000	1,000
Sir John Stanley	5,000	1,000

- (ii) Barry Bateman is President of, and a shareholder in, Fidelity International Limited, the ultimate holding company of the Manager and a director of the Manager. Sir John Stanley is a consultant to Fidelity Investment Management Limited, the ultimate holding company of which is Fidelity International Limited.
- (iii) (a) The total emoluments receivable by the Directors in respect of the accounting period of the Company ending on 31st December, 1994 are not expected to exceed £35,000. Barry Bateman has agreed to waive any fees to which he would otherwise be entitled.
- (b) There are no service contracts in existence between the Company and any of the Directors, nor are any proposed.
- (iv) No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- (v) The Manager will receive from the Company a management and secretarial fee pursuant to the Management Agreement referred to in paragraph 6(i) of this Part III, a fee for services in connection with the Offer pursuant to the Services Agreement referred to in paragraph 6(iii) of this Part III and fees in relation to the operation of the Fidelity Flexible Investment Trust Plan and may receive commissions as described in paragraph 9(v) of this Part III.
- (vi) Save as disclosed in paragraph 3(ii) and (v) above, no Director has any interest in any transactions which are or were unusual in their nature or conditions, or significant to the business of the Company and which have been effected by the Company since its incorporation.
- (vii) Fidelity International Limited, either directly or through subsidiaries, intends to subscribe for two million Ordinary Shares in the placing. Members of the Fidelity International Limited group may also apply for Ordinary Shares in the Offer on behalf of discretionary clients.
- (viii) The Directors are not currently aware of any persons who immediately following the Offer may be interested directly or indirectly (within the meaning of Part VI of the Act) in three per cent. or more of the issued share capital of the Company. The Directors are not aware of any other persons who could, directly or indirectly, jointly or severally, exercise control over the Company.

4. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum of Association of the Company provides that the Company's principal object is to undertake and carry on the business of an investment trust company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association which is available for inspection at the addresses set out in paragraph 10 below.

The Articles of Association of the Company (the "Articles") contain provisions, *inter alia*, to the following effect:

- (a) Voting rights
 - (i) Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of the Articles, every member present in person at a general meeting shall have one vote on a show of hands, and on a poll every member present in person or by proxy shall have one vote for every 25p nominal amount of share capital of which he is the holder.
 - (ii) No member shall, unless the Board decides otherwise, be entitled to vote at any general meeting of the Company or any separate meeting of the holders of any class of shares of the Company if any call or other sum presently payable by him in respect of those shares remains unpaid or if he has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under a statutory notice.
 - (b) Variation of rights and changes in capital
 - (i) Subject to the provisions of the Act, all or any of the rights for the time being attached to any class of shares may (unless otherwise provided by the terms of the issue of the shares of that class) be varied or abrogated with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. The quorum requirement for such a separate general meeting is a person or persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class.
 - (ii) The Company may by ordinary resolution:
 - (a) increase its authorised share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
 - (b) consolidate and divide its share capital into shares of a larger amount;
 - (c) subject to the provisions of the Act, sub-divide its share capital into shares of a smaller amount; and
 - (d) cancel any shares which have not been taken or agreed to be taken by any person and diminish its authorised share capital by the amount of the shares so cancelled.

Subject to confirmation by the Court, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

 - (iii) Subject to the provisions of the Act, the Company may purchase shares comprising all or any of the classes of its share capital then in issue, including redeemable shares.
- (c) Dividends and other distributions
 - (i) The Company in general meeting may from time to time declare dividends, but no such dividends shall be payable otherwise than in accordance with the Act or in excess of the amount recommended by the Board. Payment of dividends to the members shall be in accordance with their rights and interests in the profits available for distribution. Dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may from time to time pay to the members such interim dividends as appear to the Board to be justified by the financial position of the Company and the Board may also pay any dividends payable at a fixed rate at intervals settled by the Board whenever the financial position of the Company, in the opinion of the Board, justifies its payment.

- (ii) The Board may withhold payment of all or any part of any dividends or other moneys payable in respect of the Company's shares from a person with a 0.25 per cent. interest (as defined in the Articles) in those shares or any class thereof if such a person has been served with a restriction notice after failure to provide the Company with information concerning interests in those shares required to be provided under a statutory notice.
 - (iii) Surpluses or profits arising from the realisation of investments will not be available for distribution.
 - (iv) Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.
- (d) Capital reserves

All capital appreciations arising on the sale or realisation of investments and other capital assets in excess of the book value thereof and all other capital profits and unrealised appreciation of investments or other assets representing or in the nature of accretion to capital assets will be credited to a capital reserve to be maintained by the Company. Every loss resulting from any such dealing as aforesaid and any depreciation in the value of capital assets will be debited to such capital reserve except in so far as the Directors otherwise decide. 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 no part of the capital reserve or any other moneys in the nature of accretion to capital may be transferred to revenue account or be regarded as or treated as profits of the Company available for distribution.
- (e) Transfer of shares

The Ordinary Shares are in registered form and may be transferred by instrument in writing in any usual form, or in any other form which the Directors may approve. The instrument of transfer must be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor is deemed to remain the holder until the transferee's name is entered in the register. The Board may in its absolute discretion and without specifying any reason refuse to register any transfer of shares which are not fully-paid. The Board may also refuse to register any transfer of shares unless the instrument of transfer is duly stamped and lodged with the Company accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the intending transferor to make such transfer. The Board may also decline to register any transfer if the instrument of transfer is in respect of more than one class of share or, in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred exceeds four.

The Board may decline to register a transfer of the Company's shares by a person with a 0.25 per cent. interest (as defined in the Articles) in those shares or any class thereof if such a person has been served with a restriction notice after a failure to provide the Company with information concerning interests in those shares required to be provided under a statutory notice unless the transfer is shown to the Board to be pursuant to an arm's length sale (as defined in the Articles).
- (f) Compulsory transfer of shares
 - (i) If it shall come to the notice of the Directors that:
 - (a) any share or shares are or may be owned or held directly or beneficially by any person or persons whose holding or continued holding of those shares (whether on its own or in conjunction with any other circumstances appearing to the Directors to be relevant) might in the sole and conclusive determination of the Directors cause a pecuniary or tax disadvantage to the Company or any other holder of shares or cause or be likely to cause the assets of the Company to be considered "plan assets" within the meaning of regulations adopted under the United States Employee Retirement Income Security Act of 1974; or

- (b) the aggregate number of United States Persons who are beneficial owners (which for the purposes of this article shall include beneficial ownership by attribution pursuant to Section 3(c)(1)(A) of the United States Investment Company Act of 1940) of shares is or may be more than 75;

the Directors may serve a notice (hereinafter called a "Transfer Notice") upon the person (or any one of such persons where shares are registered in joint names) appearing in the register as the holder (the "Vendor") of the share, shares or any of the shares concerned (the "Relevant Shares") requiring the Vendor within 21 days (or such extended time as in all the circumstances the Directors shall consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person whose holding of such shares, in the sole and conclusive determination of the directors, would not fall within (a) above and would not result in the aggregate number of United States Persons who are beneficial owners of shares being 75 or more (such a person being hereinafter called an "Eligible Transferee"). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Share to which it relates pursuant to the provisions of this sub-paragraph (i) or sub-paragraph (ii) of this article, the rights and privileges attaching to the Relevant Shares shall be suspended and not capable of exercise.

- (ii) If within 21 days after the giving of a Transfer Notice (or such extended time as in all the circumstances the Directors shall consider reasonable) the Transfer Notice has not been complied with to the satisfaction of the Directors, the Company may sell the Relevant Shares on behalf of the holder or holders thereof by instructing a member of the London Stock Exchange to sell them in accordance with the best practice then obtaining to any Eligible Transferee or Transferees. For this purpose the Directors may authorise in writing any officer or employee of the Company to execute on behalf of the holder or holders of the Relevant Shares a transfer of the Relevant Shares to the purchaser or purchasers and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the Relevant Shares. The purchaser will not be bound to see to the application of the purchase moneys nor will his title to the Relevant Shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale of the Relevant Shares shall be received by the Company, whose receipt shall be a good discharge for the purchase moneys, and will belong to the Company and, upon their receipt, the Company will become indebted to the former holder of, or person entitled by transmission to, the Relevant Shares for an amount equal to the net proceeds of transfer upon surrender by him or them of the certificate for the Relevant Shares which the Vendor shall forthwith be obliged to deliver to the Company. No trust will be created in respect of the debt and no interest will be payable in respect of it and the Company will not be required to account for any moneys earned from the net proceeds of transfer which may be employed in the business of the Company or as it thinks fit. The Company may register the transferee or transferees as holder or holders of the Relevant Shares and issue to him or them a certificate for the same and thereupon the transferee or transferees shall become absolutely entitled thereto.
- (iii) A person who becomes aware that his holding, directly or beneficially, of shares will, or is likely to fall within sub-paragraph (i)(a) above or, being a United States Person and a beneficial owner of shares, becomes aware that the aggregate number of United States Persons who are beneficial owners of shares is more than 75, shall forthwith, unless he has already received a Transfer Notice pursuant to sub-paragraph (i) above either transfer the shares to an Eligible Transferee or Transferees or give a request in writing to the Directors for the issue of a Transfer Notice in accordance with

sub-paragraph (i) above. Every such request shall be accompanied by the certificate or certificates for the shares to which it relates.

- (iv) Subject to the provisions of the Articles, the Directors shall, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that none of the shares are held in such a way as to entitle the Directors to serve a Transfer Notice in respect thereof. The Directors may, however, at any time and from time to time call upon any holder (or any one of joint holders) of shares by notice in writing to provide such information and evidence as they shall require upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than 21 days after service of the notice requiring the same) as may be specified by the Directors in the said notice, the Directors may, in their absolute discretion, treat any share held by such a holder or joint holders as being held in such a way as to entitle them to serve a Transfer Notice in respect thereof.
 - (v) The Directors shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions. The exercise of the powers conferred by sub-paragraph (i) and/or (ii) and/or (iv) above shall not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership of shares by any person or that the true direct or beneficial owner of any shares was otherwise than appeared to the Directors at the relevant date provided that the said powers shall have been exercised in good faith.
- (g) Duration and winding-up
- (i) The Board shall submit an ordinary resolution to the annual general meeting of the Company falling in 2004 and, if passed, at every fifth subsequent annual general meeting, proposing that the Company should continue as an investment trust for a further five year period. If any such resolution is not passed, the Board shall draw up proposals for the voluntary liquidation, unitisation or other reorganisation of the Company for submission to the members of the Company at an extraordinary general meeting to be convened by the Board for a date not more than three months after such annual general meeting. Implementation of the proposals will require approval of members by special resolution.
 - (ii) As the Company has only one class of shares, the holders of its shares will under general law be entitled to participate in any surplus assets in a winding-up in proportion to their shareholdings. On a winding-up the liquidator may, with the sanction of a special resolution of the Company, divide among the members *in specie* the whole or any part of the assets of the Company.
- (h) Borrowing powers
- The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge its undertaking, property and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The Directors must restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to secure that the aggregate principal amount from time to time outstanding of all borrowings (as defined in the Articles) by the Company and its subsidiary undertakings (exclusive of borrowings intra-group) shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the adjusted capital and reserves (as defined in the Articles) of the Company.

(i) Directors

(i) Appointment of Directors

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

(ii) Age of Directors

No person is disqualified from being a Director or is required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age, nor is it necessary to give special notice of a resolution appointing or approving the appointment of such a director. However, where the Directors convene any general meeting at which, to the knowledge of the Directors, a Director who is over the age of 70 will be proposed for appointment or re-appointment, the Directors will give notice of his age in the documents convening the meeting.

(iii) Remuneration of Directors

Each of the Directors shall be paid a fee at such rate as may be determined by the Directors provided that the total fees paid to the Directors (excluding amounts payable under other provisions of the Articles) shall not exceed £50,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the Company. Each Director may also be paid reasonable travelling, hotel and incidental expenses of attending meetings of the Directors, of committees of the Directors or general meetings of the Company or any other meeting which as a Director he is entitled to attend and shall be paid all expenses incurred by him in the conduct of the Company's business or in the discharge of his duties as a Director.

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

(iv) Executive Directors

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

(v) Retirement of Directors by rotation

At every annual general meeting of the Company, as nearly as possible one third of the Directors will retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will be (unless they otherwise agree) determined by lot.

(vi) Restrictions on voting

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

unless it concerns his own appointment, or the settlement or variation of the terms or the termination of his own appointment, or the appointment of another Director to an office or place of profit with a company in which the Company is interested and the Director seeking to vote or to be counted in the quorum owns one per cent. or more of it.

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Directors in respect of any contract in which he is to his knowledge materially interested and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any resolution concerning any of the following matters:

- (a) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him for the benefit of the Company or any of its subsidiaries;
- (b) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) the subscription or purchase by him of shares, debentures or other securities of the Company or any of its subsidiaries pursuant to an offer or invitation to members or debenture holders of the Company or any of its subsidiaries, or any class of them, or to the public or any section of the public;
- (d) the underwriting by him of any shares, debentures or other securities of the Company or any of its subsidiaries;
- (e) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the Company or any of its subsidiaries or by reason of any other interest in or through the Company or any of its subsidiaries;
- (f) any contract concerning any other company (not being a company in which the director owns one per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever;
- (g) any contract concerning the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors and employees of the Company or any of its subsidiaries and does not provide in respect of any Director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates;
- (h) any contract for the benefit of employees of the Company or of any of its subsidiaries under which he benefits in a similar manner to the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the contract relates; or
- (i) any contract for the purchase or maintenance for any Director or Directors of insurance against any liability.

Subject to the provisions of the Act, the Company may by ordinary resolution suspend or relax the above provisions to any extent or ratify any contract not properly authorised by reason of a contravention of such provisions.

(vii) Indemnity of officers

Subject to the provisions of the Act, the Company may purchase and maintain, for any Director or other officer or auditor, insurance against any liability.

Every Director or other officer shall be indemnified, and if the Directors so determine the auditors may be indemnified, out of the assets of the Company against any liability incurred as a director or other officer, or as auditor, in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the Court.

(viii) Untraced shareholders

The Company may sell any shares in the company after advertising its intention and waiting for 3 months and notifying the London Stock Exchange of its intention to sell if the shares have been in issue for at least 12 years and during that period at least three cash dividends have become payable on them and have not been claimed or satisfied, and so far as any Director is aware, the Company has not received any communication during the relevant period from the holder of the shares or any person entitled to them by transmission. Upon any such sale, the Company will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

(ix) Record date for service

Any document may be served by the company by reference to the register as it stands at any time not more than 15 days before the date of delivery and no change in the register after that time shall invalidate that service. Where any document is served on any person in respect of a share, no person deriving any title or interest in that share shall be entitled to any further service of that document.

(x) Members resident abroad

Members with registered addresses outside the UK are not entitled to receive notices from the company unless they have given the company an address within the UK at which such notices may be served.

5. OFFER ARRANGEMENTS

- (a) By a Placing and Offer for Subscription Agreement (the "Offer Agreement") dated 22nd February, 1994 between the Company (1), the Manager (2), the Directors (3) and NatWest Wood Mackenzie (4), NatWest Wood Mackenzie has undertaken as agent for the Company (i) to use its reasonable endeavours to procure subscribers in the placing (the "Placing") for up to 90 million Ordinary Shares (with Warrants) at 100p per Ordinary Share and (ii) to make the Offer for Subscription. The Offer Agreement is subject, *inter alia*, to the London Stock Exchange admitting the Ordinary Shares and the Warrants to the Official List by 15th March, 1994, or such later date, not being later than 31st March, 1994, as shall be agreed between the Company and NatWest Wood Mackenzie.
- (b) Under the Offer Agreement, the Company will pay to NatWest Wood Mackenzie a commission of 3.0135 per cent. on the first £37 million subscribed under the Placing and a commission of 3.5 per cent. on the balance of amounts subscribed under the Placing, out of which commissions NatWest Wood Mackenzie will pay commissions to placees, together with a commission of 1.5 per cent. on amounts subscribed under the Offer for Subscription. The Company will bear all other costs and expenses of or incidental to the Offer, including the legal expenses of NatWest Wood Mackenzie, and commissions of 3 per cent. pursuant to successful applications for Ordinary Shares which bear the stamp of authorised financial intermediaries.
- (c) Under the Offer Agreement, which may be terminated, prior to admission of the Ordinary Shares and the Warrants to the Official List becoming effective, by NatWest Wood Mackenzie in certain circumstances, certain warranties have been given to NatWest Wood Mackenzie by the Directors and the Manager and certain warranties and indemnities have been given to NatWest Wood Mackenzie by the Company and the Manager.

6 MATERIAL CONTRACTS

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

- (i) a management and secretarial services agreement (the "Management Agreement") dated 22nd February, 1994 between the Company (1) and the Manager (2), under which the Manager has agreed to provide investment management and administrative services to the Company for a quarterly fee of an amount equal to 0.25 per cent. (plus VAT) of the value of the Company's assets under management (other than investments in other funds managed by the Manager) less the aggregate of all liabilities on the last business day of March, June, September and December in each year, payable in arrear. In addition the Company has agreed to pay to the Manager a fee for secretarial and administration services, payable quarterly in arrear, at the rate of £25,000 per annum (plus VAT) subject to annual indexation.

The Management Agreement will continue unless and until terminated by either party giving to the other not less than twelve months' notice to expire on or after 31st December, 1996. The Management Agreement may, however, be terminated without compensation if the Company is liquidated in 2004, or in any fifth year thereafter, pursuant to the procedures laid down in the Articles of Association of the Company. The Management Agreement may also be terminated forthwith as a result of material breach of the agreement or on the insolvency of the Manager or the Company. In addition, the Company may terminate the agreement by two months' notice if the Manager ceases to be a subsidiary of Fidelity International Limited;

- (ii) an agreement dated 22nd February, 1994 between the Company and the Manager, under which the Manager has agreed to include the Company in the Fidelity Flexible Investment Trust Plan, to market such plan and to meet the costs of administering such plan in respect of the period ending on 30th September, 1994, and the Company has agreed to pay to the Manager a fee of £25,000 (plus VAT);
- (iii) a letter of agreement (the "Services Agreement") dated 22nd February, 1994 between the Company and the Manager, under which the Manager has agreed to supply certain services in connection with the Offer (including services in promoting the Offer) and the Manager has agreed to pay to the Company, in the event that the expenses of the Offer (including preliminary expenses and irrecoverable VAT) exceed 4 per cent. of the gross proceeds of the Offer, an amount, exclusive of VAT, equal to the excess over such 4 per cent. and the Company has agreed to pay to the Manager, if the expenses of the Offer (including preliminary expenses and irrecoverable VAT) are less than 4 per cent. of such gross proceeds, a fee (inclusive of irrecoverable VAT) equal to the difference;
- (iv) a custodian agreement dated 22nd February, 1994 between the Company and Clydesdale Bank PLC, under which Clydesdale Bank PLC has agreed to act as custodian of the assets of the Company for a fee equal to 0.03 per cent. per annum of the value of the assets of the Company plus transaction charges (plus VAT); the agreement may be terminated by either party giving to the other not less than 60 days' notice; and
- (v) the Offer Agreement referred to in paragraph 5 of this Part III.

7. TAXATION

The information contained in this document relating to taxation matters is based upon, and constitutes a non-exhaustive summary of, the law and practice currently in force and is subject to changes therein.

Potential investors should consult their professional advisers on the potential tax consequences of subscribing for, purchasing, holding or selling Ordinary Shares or Warrants or investing in a Personal Equity Plan ("PEP") under the laws of their country and/or state of citizenship, domicile or residence.

(i) The Company

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an investment trust set out in section 842 of the Income and Corporation Taxes Act 1988. Such approval is granted retrospectively for each accounting period. The Company will be exempt from United Kingdom corporation tax on chargeable gains in respect of each accounting period for which such approval is granted. The income of the Company will be subject to United Kingdom corporation tax. Income arising from overseas investments may, in addition, be subject to foreign withholding taxes at varying rates. The Company may be entitled to double tax relief in respect of all or part of any such withholding taxes, thereby reducing its liability to mainstream corporation tax. This may, however, restrict the Company's ability to offset against that liability the advance corporation tax ("ACT") in respect of its own dividends.

The Directors consider that the Company will not be a close company for the purposes of the Income and Corporation Taxes Act 1988 immediately following the Offer.

(ii) Shareholders and Warrantholders

(a) Capital gains

Shareholders or Warrantholders resident or ordinarily resident in the United Kingdom for taxation purposes may, depending upon their personal circumstances, be liable to tax on chargeable gains arising from the sale or other disposal for the purposes of the Taxation of Chargeable Gains Act 1992 (which includes disposal upon a winding-up) of their Ordinary Shares or Warrants.

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

For the purpose of the charge to United Kingdom taxation of capital gains:

- (1) the cost of acquiring Ordinary Shares and Warrants under the Offer will be apportioned between the Ordinary Shares and the Warrants on the basis of their respective values at the date of allotment, which basis should not be significantly different from the ratio which the market value of the Ordinary Shares bears to the market value of the Warrants on the first day on which the Ordinary Shares and Warrants are dealt in separately; details of the appropriate market values will appear in the report and accounts of the Company for the period ending 31st December, 1994;
- (2) the Warrants will not constitute "wasting assets" for the purposes of the Taxation of Chargeable Gains Act 1992 and on a disposal of Warrants (which includes abandonment) the full cost of those Warrants will be allowed in computing any chargeable gain or allowable loss for the purposes of the Taxation of Chargeable Gains Act 1992; and
- (3) a Warrantholder who exercises the subscription rights conferred by the Warrants will not thereby be treated as disposing of the Warrants for the purposes of the Taxation of Chargeable Gains Act 1992, but the cost thereof will be added to the amount paid on exercise of the rights in computing the acquisition cost of the new Ordinary Shares.

(b) Dividends

Under current United Kingdom taxation legislation, no withholding tax will be deducted from dividends paid by the Company.