

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action to be taken, you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser authorised under the Financial Services Act 1986.

A copy of this prospectus, which comprises listing particulars with regard to SR Europe Investment Trust plc prepared in accordance with the listing rules made pursuant to Section 142(6) of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 of that Act.

Application has been made for all the Ordinary Shares and Warrants, issued and to be issued pursuant to the Issue, to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. The prices of the Ordinary Shares and the Warrants, issued under the Issue, will be quoted separately on the Official List. It is expected that Admission will become effective and that dealings will commence on 15 August 2001, in the case of Ordinary Shares and Warrants issued under the Placing and the Offer for Subscription, and on 16 August 2001 in the case of Ordinary Shares and Warrants issued under the Scheme.

The Directors of SR Europe Investment Trust plc (“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.

Cazenove, which is regulated in the United Kingdom by The Securities and Futures Authority Limited, is acting exclusively for SR Europe Investment Trust plc in connection with the Issue and is not acting for any other persons and will not be responsible to such other persons for providing the protections afforded to customers of Cazenove or advising them on any matters relating to the Issue.

SR EUROPE INVESTMENT TRUST PLC

(Incorporated in England and Wales under the Companies Act 1985, registered number 4223875)

Placing and Offer for Subscription of up to 50,000,000 Ordinary Shares and 10,000,000 Warrants

Issue of Ordinary Shares and Warrants in connection with the recommended Scheme of Reconstruction of S.R. Pan-European Investment Trust plc

Sponsored by

CAZENOVE & CO. LTD

This document does not constitute an offer to sell or to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares and Warrants in any jurisdiction in which such an offer or solicitation is unlawful and is not for distribution in or into any of the Prohibited Territories or their respective territories or possessions. The Ordinary Shares and Warrants have not been and will not be registered under the United States Securities Act of 1933, as amended, nor under the applicable securities laws of any of the other Prohibited Territories and, subject to certain exceptions, may not be offered or sold within any of the Prohibited Territories or to any national, resident, citizen of any of the Prohibited Territories or their respective territories or possessions.

The number of Ordinary Shares and Warrants being offered should not be taken as being indicative of the number of Ordinary Shares and Warrants which will be issued. The right is reserved to scale back applications under the Placing and the Offer for Subscription in order to balance the capital structure of SR Europe Investment Trust plc. The minimum subscription under the Offer for Subscription is £1,000.

The procedures for application under the Offer for Subscription are set out at the end of this document under “Notes on how to complete the Application Form”. Completed Application Forms must be returned, either by post or by hand, to Computershare Services PLC, PO Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ, or by hand only during normal business hours to Computershare Investor Services PLC, 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR, so as to be received no later than 3:00 p.m. on 6 August 2001.

Dated 12 July 2001

EXPECTED TIMETABLE

	<i>2001</i>
Latest date for receipt of Application Forms under the Offer for Subscription	3:00 p.m. 6 August
Latest date for Placing commitments	10 August
Dealings in Ordinary Shares and Warrants issued under the Placing and Offer for Subscription commence	15 August
Payment from Placees in uncertificated form through CREST	15 August
Crediting of CREST accounts pursuant to the Placing	15 August
Crediting of CREST accounts pursuant to the Offer	15 August
Dealings in Ordinary Shares and Warrants issued under the Scheme commence	16 August
Share certificates and certificates for Warrants expected to be despatched week commencing	20 August

ISSUE STATISTICS

Issue Price	100p
Minimum Application	£1,000
Number of Ordinary Shares following the Issue*	50,000,000
Number of Warrants following the Issue*	10,000,000
Net Proceeds*	£49,346,380
Initial Net Asset Value (undiluted) *	98.69p
Initial Net Asset Value (fully diluted)*	98.91p

* Assuming the Issue is fully subscribed and that no Warrants have been taken by the Warrant Underwriter. The undiluted Net Asset Value is calculated on the basis that no Warrants have been exercised; the fully diluted Net Asset Value is calculated on the basis that all Warrants have been exercised.

KEY FEATURES

The following are the key features of the Company. However, these are a summary only and investors should read the full text of this document from which they are derived. Attention is drawn to the “Risk Factors” section set out in Part 3 of this document.

The Company

SR Europe Investment Trust plc is a new investment trust which aims to achieve capital growth through an actively managed portfolio of European companies including the United Kingdom, without neglecting income. The Company will be the successor to S.R. Pan-European Investment Trust plc pursuant to a scheme of reconstruction whereby shareholders in S.R. Pan-European will be entitled to rollover their investment into the Company.

The Manager

The Manager will be Sloane Robinson Investment Management Limited, which has been the manager of S.R. Pan-European since March 1995 and, as at 31 May 2001, had some £1.1 billion of assets under management. The Manager will be entitled to an annual management fee, paid quarterly in arrears, of 0.6 per cent. per annum (exclusive of VAT) of the Company’s gross assets. In addition, the Manager will be entitled to a performance fee, payable at the time of the annual general meeting of the Company in 2007 (or on earlier termination of the management agreement or liquidation of the Company), of an amount equal to 5 per cent. of the amount by which the fully diluted net asset value per Ordinary Share at the date of calculation of the performance fee exceeds 100p increased by 5 per cent. per annum compound, multiplied by the initial number of Ordinary Shares in issue. The performance fee will not in any event exceed 4 per cent. of the net assets of the Company at the date of calculation. Under Sloane Robinson’s management, S.R. Pan-European achieved a compound annual growth rate in the fully diluted net asset value of its ordinary income shares of 31.07 per cent. from 1 January 1995 to 31 December 2000 (Source: Sloane Robinson).

Ordinary Shares and Warrants

Pursuant to a Placing and Offer for Subscription, the Company will offer Ordinary Shares, at an issue price of 100p per share, and Warrants, which will be issued free to investors on the basis of one Warrant for every five Ordinary Shares issued. Ordinary Shares and Warrants will also be issued to Shareholders of SR Pan-European who elect to rollover their investment in that company pursuant to its scheme of reconstruction.

Investors can, in lieu of taking Warrants, apply for one additional Ordinary Share (at nil consideration) for every five Warrants to which they would otherwise be entitled. Cazenove has agreed to subscribe for, or procure subscribers for, at a price of 20p per Warrant the aggregate number of Warrants which the investors under the Scheme, Placing and Offer elect not to receive (if any) as will result following the Issue in the Company having 1 Warrant in issue for every 5 Ordinary Shares in issue.

The minimum subscription under the Offer is £1,000 and the Offer closes on 6 August 2001.

The following example is provided, for illustrative purposes only, of the options which an investor has under the Placing and Offer in respect of applying for Ordinary Shares with or without Warrants:

	Ordinary Shares	Warrants	Initial NAV* (undiluted) (£)
<i>Subscription of £1,000 in Placing or Offer</i>			
Ordinary Shares with Warrants	1,000	200	986.93
Ordinary Shares without Warrants	1,040	—	1,026.40

*The net asset value has been calculated on the assumption that £50 million is raised under the Issue, with the issue of 50 million Ordinary Shares and 10 million Warrants, and that the expenses of the Issue amount to £653,620. The net asset value is shown on an undiluted basis (assuming no exercise of Warrants).

Under the above example, the issue of an additional 40 Ordinary Shares to the investor who elects not to receive Warrants will enable the Company to issue to, or to subscribers procured by, the Warrant Underwriter an additional 8 Warrants, at nil consideration, so as to maintain the 1 for 5 ratio of Warrants to Ordinary Shares in issue immediately following the Issue.

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DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	Martin Rupert Riley (Chairman) Eric Carl Elstob Richard Quintin Hoare Timothy Whitmore Newton Guinness Hugh Patrick Sloane all of: 23 Cathedral Yard, Exeter EX1 1HB
Registered Office	23 Cathedral Yard Exeter EX1 1HB
Investment Manager	Sloane Robinson Investment Management Limited Den Norske Bank Building 20 St. Dunstan's Hill London EC3R 8ND
Sponsor and Stockbrokers	Cazenove & Co. Ltd 12 Tokenhouse Yard London EC2R 7AN
Solicitors to the Company	Stephenson Harwood One St Paul's Churchyard London EC4M 8SH
Secretary	Sinclair Henderson Limited 23 Cathedral Yard Exeter EX1 1HB
Auditors	Saffery Champness Chartered Accountants and Registered Auditors Fairfax House Fulwood Place Gray's Inn London WC1V 6UB
Registrar	Computershare Investor Services PLC P.O. Box 435 Owen House 8 Bankhead Crossway North Edinburgh EH11 4BR
Receiving Agent	Computershare Investor Services PLC P.O. Box 859 The Pavilions Bridgwater Road Bristol BS99 1XZ
Bankers	HSBC Bank plc Global Investor Services Mariner House Pepys Street London EC3N 4DA

PART 1

SR Europe Investment Trust plc

Introduction

SR Europe Investment Trust plc is a new investment trust, the successor to S.R. Pan-European Investment Trust plc, with Ordinary Shares with Warrants attached denominated in sterling which are intended to be admitted to trading on the London Stock Exchange. The Company will invest in an actively managed portfolio of European companies including the United Kingdom with the objective of generating capital growth, without neglecting income.

Ordinary Shares with Warrants attached are available to the public through the Offer and Cazenove is also conducting a Placing of Ordinary Shares with Warrants attached. Warrants will attach to the Ordinary Shares under the Offer and the Placing on the basis of one Warrant for every five Ordinary Shares.

Ordinary Shares with Warrants attached are also being offered pursuant to the Scheme of Reconstruction of S.R. Pan-European Investment Trust plc ("S.R. Pan-European"). S.R. Pan-European is due to wind up prior to 31 October 2001 and the board of S.R. Pan-European has today recommended a Scheme of Reconstruction to its holders of ordinary income shares and zero dividend preference shares under which they may elect to exchange their entitlements in S.R. Pan-European's liquidation for Ordinary Shares and Warrants in the Company. A rollover into the Company provides holders of ordinary income shares and zero dividend preference shares in S.R. Pan-European with the benefit of an investment trust managed by the same management team at Sloane Robinson and with the same investment objective as S.R. Pan-European.

Under both the Scheme and the Placing and Offer, investors can elect to take an additional Ordinary Share for every 5 Warrants to which they would otherwise be entitled. Cazenove has agreed to subscribe for, or procure subscribers for, at a price of 20p per Warrant, the aggregate number of Warrants which the investors under the Scheme, Placing and Offer elect not to receive (if any) as will result following the Issue in the Company having 1 Warrant in issue for every 5 Ordinary Shares in issue.

Investment Objective

The Company will invest, on a Pan-European basis, in an actively managed portfolio of quoted United Kingdom and Continental European companies with the objective of generating capital growth, without neglecting income.

The Company's investments will be managed by Sloane Robinson who have successfully managed the investments of S.R. Pan-European since March 1995 and is regulated by IMRO.

The Directors will direct the affairs of the Company so as to enable it to seek approval as an investment trust in respect of its first accounting period and to apply annually to the Inland Revenue for such approval. The Company intends that its income will consist wholly or mainly of eligible investment income as defined in Section 842 ICTA. Approval is granted retrospectively. Under current legislation the Company will be exempt from UK tax on capital gains realised during each accounting period for which approval is obtained.

The investment objective set out above will, in the absence of unforeseen circumstances, be adhered to for at least 3 years following listing and a change of objective within that period will only be made with shareholder approval.

Capital Structure

Ordinary Shares will be issued pursuant to a Placing and Offer and will have Warrants attached on the basis of 1 Warrant for every 5 Ordinary Shares. Ordinary Shares with Warrants attached on a 1 for 5 basis will also be issued pursuant to the Scheme of Reconstruction. In each case investors will be able to elect for an additional Ordinary Share, at nil cost, for every 5 Warrants in lieu of the Warrants to which they would otherwise be entitled. Fractions of Warrants will not be issued and entitlements will be rounded down to the nearest whole number. The Ordinary Shares and Warrants are denominated in, and will be quoted on the London Stock Exchange, in sterling. The Ordinary Shares and Warrants will trade separately from each other from the first day of dealing. A summary of the rights attaching to the Ordinary Shares is set out under "Articles of Association" in Part 5 of this document. The rights attaching to the Warrants are set out under "Terms and Conditions of the Warrants" in Part 4 of this document.

Warrant Underwriting

As described above, investors under the Placing and Offer, as well as shareholders of S.R. Pan-European under the Scheme, will be able to elect to receive, instead of Ordinary Shares with Warrants attached on a 1 for 5 basis, an additional Ordinary Share in respect of every 5 Warrants to which they would otherwise be entitled.

Under the Placing, Offer and Warrant Underwriting Agreement, Cazenove has agreed to subscribe, or procure subscribers for, at a price of 20p per Warrant, the aggregate number of Warrants which investors under the Placing and Offer, or shareholders under the Scheme, elect not to receive (but have instead elected to receive additional Ordinary Shares as described above). The issue of any such additional Ordinary Shares will in turn enable the Company to issue further Warrants (on a 1 for 5 basis) and Cazenove has also agreed to subscribe for, or procure subscribers for, at nil consideration, such additional number of Warrants (if any) as will result, following the Issue, in there being 1 Warrant in issue for every 5 Ordinary Shares in issue. Cazenove's obligation to subscribe such Warrants has been sub-underwritten by certain investors, including the Directors. Apart from taking such additional Warrants for nil consideration, Cazenove and the subunderwriters will receive no underwriting commission.

Illustrative example of Warrant Underwriting

The following example is provided, for illustrative purposes only, of the options which an investor has under the Placing and Offer in respect of applying for Ordinary Shares with or without Warrants:

	<i>Ordinary Shares</i>	<i>Warrants</i>	<i>Initial NAV* (undiluted) (£)</i>
<i>Subscription of £1,000 in the Placing or Offer</i>			
Ordinary Shares with Warrants	1,000	200	986.93
Ordinary Shares without Warrants	1,040	—	1,026.40

* The net asset value has been calculated on the assumption that £50 million is raised under the Issue, with the issue of 50 million Ordinary Shares and 10 million Warrants, and that the expenses of the Issue amount to £653,620. The net asset value is also shown on an undiluted basis (assuming no exercise of Warrants).

Under the above example, the issue of an additional 40 Ordinary Shares to the investor who elects not to receive Warrants will enable the Company to issue to the Warrant Underwriter an additional 8 Warrants, at nil consideration, so as to maintain the 1 for 5 ratio of Warrants to Ordinary Shares immediately following the Issue.

Life of the Company

The Board considers it desirable that the holders of Ordinary Shares should have the opportunity to review the future of the Company at appropriate intervals. At the annual general meeting of the Company in 2007 the Directors will propose an ordinary resolution for the continuation of the Company in its current form. If this resolution is passed, then a similar resolution will be proposed at every third subsequent annual general meeting. If such a resolution is not passed, an extraordinary general meeting of the Company will be convened within the following four months to consider proposals for the liquidation, reorganisation or reconstruction of the Company.

Dividend Policy

The Directors intend that dividends will be paid by the Company out of distributable income by way of an interim and final dividend in each year.

Directors

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

M R Riley (Chairman)

Martin Riley, 58, a director of S.R. Pan-European, is a former Director of Guinness Mahon & Company Ltd, Henderson Crosthwaite Ltd and Barlows PLC. He is Chairman of Bonfield Asset Management Ltd, a consultant at Carr Sheppards Crosthwaite Ltd and a Director of a number of private investment companies.

E C Elstob

Eric Elstob, 58, a director of S.R. Pan-European, has spent his whole career in investment management, specialising in Europe and the Far East. He was head of the European and Far East departments at the Foreign & Colonial group and then vice-chairman of Foreign & Colonial Management and joint manager and a director of

the Foreign & Colonial Investment Trust. Since his retirement in 1995 he has sat on the boards of various British and foreign companies and is deputy chairman of Foreign & Colonial Eurotrust plc.

R Q Hoare

Richard Hoare, 58, a director of S.R. Pan-European, has been a Managing Partner of C Hoare & Co. Bankers since 1969. He is a director of Finsbury Technology Trust plc and Chairman of Bulldog Holdings Limited. He has a wide knowledge of international financial markets and is a director of a number of private companies.

T W N Guinness

Timothy Guinness, 53, a director of S.R. Pan-European, was a co-founder of Guinness Flight Global Asset Management. He is currently a Director of Investec Extra Income Trust PLC, Investec High Income Trust PLC and a number of quoted offshore fund companies.

H P Sloane

Hugh Sloane, 45, joined GT Management in 1979 working in Hong Kong as an economist. In 1986 he moved to Japan as Investment Director of GT Japan and Chairman of the Asian Investment Committee. In 1991 he moved to London as Investment Director of GT and Chairman of the European Investment Committee. Hugh Sloane left GT Management in 1993 to co-found Sloane Robinson.

The Directors are responsible for the determination of the Company's investment strategy and have overall responsibility for the Company's activities. The Company has, however, entered into a management agreement (described below) with Sloane Robinson under which it has delegated the management of the Company to Sloane Robinson subject to the Board's overall direction. The Company's investments will be held by HSBC Bank plc as custodian.

The Investment Manager

The Company will be managed by Sloane Robinson which was co-founded by Hugh Sloane in 1993 and which has managed S.R. Pan-European since 1995. Sloane Robinson is regulated by IMRO and is subject to its rules in the conduct of its investment business.

Sloane Robinson are international investment managers employing 30 people of whom 14 focus on equity investment. As at 31 May 2001 it had £1.1 billion under management in a variety of funds including £110 million in investment trusts.

The individual who will be responsible for the day to day management of the Company is Rupert Dyson, who is a member of the Sloane Robinson investment team led by Hugh Sloane. Rupert also manages other Sloane Robinson funds invested in Europe. He joined Sloane Robinson in March 1999 and took over the management of SR Pan-European in October last year. Overall he has 6 years of experience of investment management in Europe, first with GT Management and then with Invesco.

Under Sloane Robinson's management S.R. Pan-European achieved from 1 January 1995 to 31 December 2000 a compound annual growth rate in the fully diluted net asset value of its ordinary income shares of 31.07 per cent. (Source: Sloane Robinson). Over the same period the compound annual growth rate in total shareholders' funds was 28.62 per cent. and the compound annual growth rate in the MSCI Europe Total Return Index was 21.59 per cent. In 2001 the independent company Standard & Poor awarded S.R. Pan-European the number 1 performing European Investment Trust award over 5 years.

As the investment manager of S.R. Pan-European, Sloane Robinson has achieved the following performance:

	<i>Growth over the period to 30 June 2001 (%)</i>		
	1 year	3 years	5 years
Ordinary Income Share fully diluted net asset value	(20.3)	47.44	143.66
Zero Dividend Preference Share fully diluted net asset value	8	25.99	46.93
	<hr/>	<hr/>	<hr/>
Total assets	(12.74)	53.73	144.12
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Source: Interim Report of S.R. Pan-European for the periods 1996, 1998 and 2000

The past performance of S.R. Pan-European mentioned above is included for illustrative purposes only. This past performance is not necessarily a guide to the future performance of the Company.

Management Agreement

The Investment Management Agreement between the Company and Sloane Robinson will commence upon Admission and will be for an initial fixed period of two years and terminable then or thereafter on not less than three months' notice. The management fee will be calculated and paid quarterly in arrears at a rate of 0.6 per cent. per annum (plus VAT) of the gross assets of the Company at the relevant calculation date and will be split 50/50 between revenue account and capital account.

In addition, the Manager will be entitled to a performance fee, payable at the time of the annual general meeting of the Company in 2007 (or on earlier termination of the management agreement or liquidation of the Company), of an amount equal to 5 per cent. of the amount by which the fully diluted net asset value per Ordinary Share at the date of calculation of the performance fee exceeds 100p increased by 5 per cent. per annum compound, multiplied by the initial number of Ordinary Shares in issue. The performance fee will not in any event exceed 4 per cent. of the net assets of the Company at the date of calculation and will be charged to capital account.

It is possible that, while acting for the Company, the Manager may, as investment manager or as adviser for other clients, encounter potential conflicts of interest with the Company. Under the terms of the Investment Management Agreement, the Manager is free to render similar services to others so long as its services to the Company are not thereby impaired and so long as it acts in the best interest of the Company. Under the Investment Management Agreement where other funds under the management of the Manager or any affiliate of the Manager are being considered for an investment in an investee company the Manager will procure (in so far as it is able to) that the Company will (provided that it has funds available for investment) be given an opportunity to invest in such company on the same terms as the other such funds and that, where the Company and one or more such funds wish to invest in the same investee company, each be given the opportunity to invest an amount pro rata to the funds they have available for investment. The same opportunities will be provided in relation to any proposed disinvestment.

Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property (present or future) or uncalled capital or any part or parts thereof and to issue debentures or other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party. It is the Directors' intention that the Company may borrow up to 50 per cent. of its net asset value from time to time.

Reports and Accounts

The annual reports and accounts of the Company will be made up to 31 December in each year with copies expected to be sent to Shareholders in the following March. It is intended that the annual general meetings of the Company will be held in April of each year. Shareholders will also receive each year an unaudited interim report for the six months to 30 June. These are expected to be sent to Shareholders in August of each year.

Taxation

The Directors intend to conduct the affairs of the Company so as to enable it to satisfy the conditions for approval by the Inland Revenue as an investment trust under Section 842 ICTA. Furthermore, the Directors intend to conduct the affairs of the Company so that its income will consist wholly or mainly of eligible investment income as defined in Section 842 ICTA. Such approval can be granted only retrospectively for each of its accounting

periods. Under current legislation the Company will be exempt from United Kingdom corporation tax on its capital gains for each accounting period for which such approval is granted.

Information concerning the tax status of the Company and the taxation of holders of Ordinary Shares and Warrants is contained in Part 3 of this document.

If any potential Shareholders are in doubt about the taxation consequences of acquiring, holding or disposing of Ordinary Shares or Warrants they should seek advice from their own professional advisers.

ISAs and PEPs

The Directors intend to manage the affairs of the Company so that the Ordinary Shares will be eligible for inclusion in ISAs and PEPs. An ISA or PEP manager will be able, if the terms of the relevant ISA or PEP account permit, to apply under the Offer for Ordinary Shares, up to the appropriate subscription limit applying to the ISA or PEP. Investors are reminded that they cannot subscribe for both a maxi-ISA and a mini-ISA in the same tax year.

Warrants are normally treated by the Inland Revenue as non-qualifying investments for a PEP and for the stocks and shares component of an ISA. However, where managers apply for shares in an investment trust using cash within a PEP or the stocks and shares component of an ISA, they may retain in the PEP or ISA any warrants attached to the shares acquired in the course of the public offer. Accordingly, Ordinary Shares with Warrants attached acquired under the Offer, but not the Placing, may be held in a PEP or ISA. Any Warrants received subsequently must either be sold or re-registered into the investor's own name.

Any Warrants acquired by investors on their own or through the Scheme are not ISAable or PEPable.

Shareholders must consult their plan manager as to whether the rules of their particular PEP or ISA plan will allow them to hold Ordinary Shares and Warrants.

Risk Factors

The attention of potential investors is drawn to the risk factors set out in Part 3 of this document.

The Scheme of Reconstruction

The Board of S.R. Pan-European has announced a recommended Scheme of Reconstruction under which its ordinary income and zero dividend preference shareholders may elect for their entitlement in S.R. Pan-European's liquidation to be satisfied either in cash or by the issue to them of Ordinary Shares with Warrants attached (on a 1 for 5 basis) or Ordinary Shares without Warrants (on the basis of 1 further Ordinary Share for every 5 Warrants to which they are otherwise entitled).

The Scheme of Reconstruction being proposed is for S.R. Pan-European to be wound up voluntarily and for certain of its assets to be transferred to the Company in accordance with elections made, or deemed to be made, by S.R. Pan-European's ordinary income and zero dividend preference shareholders. In addition, the Company may purchase S.R. Pan-European's remaining assets at its discretion. If approved by S.R. Pan-European's shareholders, the Scheme of Reconstruction will become effective on or around 15 August 2001. If the Scheme of Reconstruction is not approved, Ordinary Shares and Warrants will only be issued pursuant to the Placing and Offer.

The zero dividend preference and ordinary income shareholders of S.R. Pan-European who do not wish to take Warrants may instead elect for 1 further Ordinary Share for every 5 Warrants they would otherwise be entitled to. Fractions of Ordinary Shares and Warrants will not be issued and will be rounded down to the nearest whole number.

Transfer of Assets under the Scheme

For the purposes of the Scheme, and in order to enable S.R. Pan-European's assets to be transferred to the Company at a mid-market price, S.R. Pan-European's assets will be valued at close of business on 14 August 2001 and certain of those assets will be transferred to the Company for cash on 15 August 2001. Movements in the value of those assets during the interim period may have a positive or negative effect on the starting net asset value of the Company.

Repurchases of Ordinary Shares and Warrants

The Company may in due course seek Shareholders' authority to purchase Ordinary Shares in the market in order to address any imbalance between the supply of and demand for Ordinary Shares and to enhance the Net Asset Value of the remaining Ordinary Shares. The Company may also seek to purchase Warrants in the market.

Any such purchases will be made subject to the listing rules of the UKLA and within guidelines established from time to time by the Board and, in relation to Ordinary Shares, in circumstances in which the Board believes such purchases will result in an increase in the Net Asset Value of the remaining Ordinary Shares.

PART 2

The Issue

The size of the Company following the Issue will be determined by the number of subscriptions for Ordinary Shares received under the Offer and Placing and the elections made (and deemed to be made) under the Scheme of Reconstruction. Up to 50 million Ordinary Shares and 10 million Warrants will be issued pursuant to the Placing and Offer and under the Scheme and any elections under the Scheme will be satisfied in full. In the event of over subscription of the Ordinary Shares with Warrants attached under the Placing and Offer, Cazenove will be entitled to scale back applications in its absolute discretion after consultation with the Company.

The net proceeds of the Issue will be fully applied in accordance with the Company's investment objective.

The Offer

Ordinary Shares are available to the public under the Offer and will be issued with Warrants attached in the ratio of 1 Warrant for every 5 Ordinary Shares (although investors can elect to receive additional Ordinary Shares in lieu of Warrants, as described in Part 1 of this document). The terms and conditions of application under the Offer and an application form are set out at the end of this document. These terms and conditions should be read carefully before an application is made. Applicants should consult their respective stockbroker, bank manager, solicitor, accountant or other financial adviser if they are in doubt.

Application forms, accompanied by a cheque or banker's draft payable to The Royal Bank of Scotland plc A/C SR Europe Investment Trust plc for the appropriate amount, must be returned to the Receiving Agent by no later than 3:00 p.m. on 6 August 2001. The price of an Ordinary Share (including the entitlement to Warrants on the basis of 1 Warrant for every 5 Ordinary Shares) is 100p. The minimum application under the Offer is £1,000.

The Placing

Cazenove has agreed to use its reasonable endeavours to procure subscribers for Ordinary Shares and Warrants pursuant to the Placing. Commitments under the Placing must be received by no later than close of business on 10 August 2001. The price of the Ordinary Shares, including the entitlement to Warrants on a 1 for 5 basis, is 100p.

The Placing, which is not underwritten, and the Offer are conditional, inter alia, upon the Ordinary Shares and Warrants being admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange. Details of the Placing, Offer and Warrant Underwriting Agreement appointing Cazenove and the fees payable to Cazenove are set out in Part 5 of this document.

Expenses

On the assumption that £50 million is raised the initial expenses of the Issue are estimated to be 1.31 per cent. of the initial gross assets of the Company.

Settlement and Dealings

Application has been made to the UKLA for the Ordinary Shares and Warrants attached to them to be admitted to the Official List and application has been made to the London Stock Exchange for the Ordinary Shares and the Warrants to be admitted to trading. It is expected that admission to the Official List of the Ordinary Shares and Warrants will become effective, and that separate dealings in the Ordinary Shares and Warrants issued pursuant to the Placing and Offer will commence, at 8:00 a.m. on 15 August 2001. The Directors have been advised that, in order for the Scheme to constitute a scheme of reconstruction for tax purposes, dealings in the Ordinary Shares and Warrants issued pursuant to the Scheme, should preferably commence on a different day from those issued under the Placing and Offer. Accordingly, it is expected that, in respect of the Ordinary Shares and Warrants issued, pursuant to the Scheme, admission to the Official List will become effective and that dealings will commence at 8:00 a.m. on 16 August 2001.

The Ordinary Shares and Warrants will be issued in both certificated form and in uncertificated form for settlement through CREST. Investors should be aware that dealings in Ordinary Shares and Warrants held in certificated form are likely to incur, on an ongoing basis, higher costs than dealings in Ordinary Shares and Warrants held in CREST. Ordinary Shares and Warrants initially issued in certificated form may subsequently be deposited into CREST in accordance with normal CREST procedures. Certificates for Ordinary Shares and Warrants are expected to be despatched in the week commencing 20 August 2001. Temporary documents of title will not be issued pending the delivery of Ordinary Shares and Warrants to subscribers and, during that period, transfers will be certified against the relevant register.

PART 3

Risk factors

An investment in the Company is suitable only for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Potential investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before investing.

General

The value of the Ordinary Shares and income derived from them (if any) can fluctuate. There is no guarantee that the market prices of the Ordinary Shares will fully reflect their underlying Net Asset Value.

Investment in the Company should be regarded as long-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that the investment objective of the Company will be met.

The Company is new and has no operating history. The past performance of S.R. Pan-European and the assets managed by Sloane Robinson are not necessarily guides to the future performance of the Company.

The market capitalisation of the Company may make the market in the Ordinary Shares and Warrants less liquid than would be the case for a larger company.

Warrants

The Warrants have the potential for higher capital appreciation than the Ordinary Shares but at the same time their market price may be more volatile and there is a risk that they may become valueless.

Investors should be aware that the subscription rights attached to the Warrants are exercisable on 31 August 2002 to 2006 (inclusive) at 100p per Ordinary Share. Accordingly, this may dilute the Net Asset Value of the Ordinary Shares.

Exchange risks

The Company will invest in securities not all of which are denominated or quoted in sterling, the base currency of the Company. The Company's Net Asset Value will be reported in sterling, dividends (if any) will be declared in sterling and payment of dividends (if any) will be made in sterling. The movement of exchange rates between sterling and any other currencies in which the Company's investments are denominated may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on the investments made by the Company. It is intended to hedge from time to time such currency exposure.

Taxation

Any change in the Company's tax status or in taxation legislation could affect the value of the investments held by and the performance of the Company. Representations in this document concerning the taxation of investors in Ordinary Shares and Warrants are based upon current tax law and practice which are subject to change.

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

Transfer of assets under the Scheme

For the purposes of the Scheme, and in order to enable S.R. Pan-European's assets to be transferred to the Company at a mid-market price, S.R. Pan-European's assets will be valued on or around 14 August 2001 and certain of those assets will be transferred to the Company on or around 15 August 2001. Movements in the value of those assets during the interim period may have a positive or negative effect on the performance of the Company.

Economic conditions

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

Taxation

The following information is based on the law and practice currently in force in the UK and applies to Shareholders and Warrantholders who are resident or ordinarily resident in the UK for taxation purposes and who hold the Ordinary Shares and Warrants as an investment. The information is not exhaustive and, if potential investors are in any doubt as to their taxation position, they should consult their professional adviser. Investors should note that tax law and interpretation can change and that, in particular, the levels and bases of, and reliefs from, taxation may change and that changes may alter the benefits of investment in the Company.

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 under Section 842 ICTA each year. The Company intends that its income will consist wholly or mainly of eligible investment income as defined in Section 842 ICTA. However, under Corporation Tax Self Assessment, the Inland Revenue are no longer obliged to give written approval. Instead, the Inland Revenue have twelve months after the return filing date in which to give notice that they intend to enquire into the return but, if no such notice is given, then approval may be assumed to have been obtained. The Company will be exempt from UK corporation tax on its chargeable gains accruing in respect of each accounting period for which approval is obtained.

The Company's income (excluding dividends from UK companies) will be subject to UK corporation tax, currently at a rate not exceeding 30 per cent., after relief for allowable expenses. Income arising from overseas investments may be subject to overseas withholding taxes, subject to relief which may be available under any relevant double taxation agreement with the UK or UK domestic law.

Ordinary Shareholders

Dividends

No withholding tax will be deducted from dividends paid to Ordinary Shareholders by the Company. An individual Ordinary Shareholder, resident in the UK for tax purposes, who receives a dividend will be entitled to a tax credit of an amount equal to 10 per cent. of the aggregate of the dividend and the tax credit (equivalent to one ninth of the cash dividend). Individual Ordinary Shareholders who are not liable to income tax in respect of the dividend will not generally be entitled to reclaim any part of the tax credit. The income tax charge in respect of dividends for starting and basic rate taxpayers will be at the rate of 10 per cent. and therefore such Ordinary Shareholders will have no further liability to tax on their dividends. A higher rate taxpayer will be liable to income tax on the sum of the dividend plus the tax credit (to the extent that, taking that sum as the top slice of his income, it falls above the threshold for the higher rate of income tax) at the rate of 32.5 per cent., against which he can offset the 10 per cent. tax credit.

A UK resident corporate Ordinary Shareholder (including authorised unit trusts) will generally not be liable to corporation tax on any dividend received from the Company.

Ordinary Shareholders who are resident outside the UK should consult an appropriate professional adviser as to their tax position. Such Ordinary Shareholders should note that they may not be entitled to any payment from the Inland Revenue in respect of the tax credit on dividends.

Capital Gains

Ordinary Shareholders who are resident or ordinarily resident in the UK may, depending upon their personal circumstances, be liable to capital gains tax (or in the case of corporate Ordinary Shareholders corporation tax on chargeable gains) in respect of gains arising from the sale or other disposal (including a disposal on a winding-up) of their Ordinary Shares. An individual will be taxed on such gains at either 10 per cent., 20 per cent. or 40 per cent. for starting, basic and higher rate tax payers respectively but this may be reduced by the annual exemption (currently £7,500) and taper relief which will reduce the amount of the chargeable gain according to how long (measured in years) the Ordinary Shares have been held. Corporate Ordinary Shareholders may be entitled to an indexation allowance.

Shareholders who are neither resident nor ordinarily resident in the UK and who are not carrying on a trade, profession or vocation in the UK through a branch or agency to which the Ordinary Shares are attributable as assets, will not be liable to UK taxation on chargeable gains arising on the sale or other disposal of their Ordinary Shares, although they may be subject to foreign taxation.

In the event of a winding-up of the Company, distributions (other than to dealers in securities who are subject to different rules) will be treated as capital receipts.

An Ordinary Shareholder who sells Ordinary Shares in the market for purchase by the Company will be treated, for the purposes of UK taxation, as though the Ordinary Shareholder had sold them in the normal way to a third party.

Warrantholders

The base cost attributable to Ordinary Shares and Warrants issued under the Issue must be apportioned between the Ordinary Shares and the Warrants because they represent separate assets for UK taxation purposes, and that apportionment will have to be made on a basis that the Inland Revenue considers to be “just and reasonable”. The Directors have been advised that, under current Inland Revenue practice, that 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 each of the first days on which the Ordinary Shares and Warrants are dealt in separately.

The Warrants are not currently wasting assets for the purposes of United Kingdom taxation of chargeable gains.

A Warrantholder who exercises a Warrant will not make a disposal for the purposes of the taxation of chargeable gains and no chargeable gains will arise at that time. Instead, in computing the chargeable gain when the Ordinary Shares acquired on exercise of the Warrant are later disposed of, the cost of the Warrant (as determined above) will be added to the amount paid for the Ordinary Shares acquired on exercise of the Warrants.

Individual Savings Accounts (“ISA”) and Personal Equity Plans (“PEP”)

The Ordinary Shares will be qualifying investments for a stocks and shares component of an ISA or a general PEP if they are acquired through the Offer or through the secondary market following the close of the Issue.

The Ordinary Shares are not eligible for inclusion or direct transfer in an ISA or a PEP if they are subscribed pursuant to the Placing.

Warrants are normally treated by the Inland Revenue as non-qualifying investments for a PEP and for the stocks and shares component of an ISA. However, where managers apply for shares in an investment trust using cash within a PEP or the stocks and shares component of an ISA, they may retain in the PEP or ISA any warrants attached to the shares acquired in the course of the public offer. Accordingly, Ordinary Shares with Warrants attached acquired under the Offer, but not the Placing, may be held in a PEP or ISA. Any Warrants received subsequently must either be sold or re-registered into the investor’s own name.

Any Warrants acquired by investors on their own or through the Scheme are not ISAable or PEPable.

Shareholders must consult their plan manager as to whether the rules of their particular PEP or ISA plan will allow them to hold Ordinary Shares and Warrants.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the Ordinary Shares and Warrants in certificated form. The transfer of Ordinary Shares and Warrants in certificated form will be subject to SDRT at the rate of 0.5 per cent. of the actual consideration paid if an unconditional agreement to transfer the Ordinary Shares or Warrants is not completed by a duly stamped transfer within 60 days. If an instrument of transfer of the Ordinary Shares and Warrants is subsequently produced it will generally be subject to stamp duty calculated on the actual consideration paid, the SDRT charge will be cancelled and any SDRT already paid will be refunded.

Under the CREST system for paperless transfers, no stamp duty or stamp duty reserve tax will arise on the transfer of shares into the system unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to stamp duty reserve tax (usually at the rate of 0.5 per cent.) will arise. Paperless transfers of shares within CREST are liable to stamp duty reserve tax (usually at the rate of 0.5 per cent. of the actual consideration paid) rather than stamp duty and stamp duty reserve tax on relevant transactions settled within the CREST system, or reported through it for regulatory purposes, is collected by CREST. No stamp duty or stamp

reserve tax will be payable on the issue of definitive certificates unless they are issued to persons to whom the depository receipt or clearance service charge to stamp duty reserve tax may apply (currently, at the rate of 1.5 per cent. of the issue price).

No charge to stamp duty or SDRT will arise on the exercise of the Warrants or the issue of the Ordinary Shares consequent on such exercise.

In the ordinary course of events, liability to pay any stamp duty or stamp duty reserve tax is that of the purchaser or transferee.

Special rules apply to agreements made by certain persons including recognised intermediaries, market makers and broker dealers in the ordinary course of their business, and persons connected with depository receipt arrangements or clearance services.

THE ABOVE PARAGRAPHS ARE A GENERAL GUIDE ONLY AND ARE NOT EXHAUSTIVE. IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISOR WITHOUT DELAY.

PART 4

Terms and Conditions of the Warrants

The Warrants will be issued in registered form and each will entitle the holder to subscribe for 1 Ordinary Share at a price of 100p. Warrants may be held in certificated form or uncertificated form (that is in CREST).

The Warrants are constituted by, and will be issued subject to and with the benefit of, a Deed Poll of the Company dated 11 July 2001 (the "Warrant Instrument"). Holders of Warrants will be bound by and deemed to have notice of all matters, terms and conditions set out in the Warrant Instrument.

The terms and conditions attached to the Warrants, and which are included in the Warrant Instrument, are as follows:

1. Subscription Rights

- (a) A registered holder for the time being of a Warrant shall have rights ("Subscription Rights") to subscribe for Ordinary Shares of 10p each in the Company ("Shares") in cash on each subscription date, being 31 August (or if any such date is not a business date, the next following business date) in the years 2002 to 2006 inclusive ("Subscription Date"), for all or any of the number of Shares for which he is the registered holder of the right to subscribe at the price of 100p per Share (the "Subscription Price") payable in full on subscription. The number and/or nominal value of Shares to be subscribed and the Subscription Price will be subject to adjustment as provided in paragraph 2 below. The Warrants registered in the name of the holder may be held in certificated form by which they will be evidenced by a Warrant Certificate issued by the Company (a "Warrant Certificate") or may be held in uncertificated form in accordance with the Uncertificated Securities Regulations 1995 (SI 1995 No.95/3272) and practices instituted by the operator of the relevant system.
- (b) In order to exercise Subscription Rights in whole or in part the holder of a Warrant held in certificated form must lodge the Warrant Certificate (or such other document as the Company may, in its discretion, accept) at the office of the registrars for the time being of the Company not later than 5:00 p.m. on the Subscription Date, having completed the notice of exercise of Subscription Rights on the reverse thereof (or accompanied by such other written notice as the Directors may, in their discretion, approve) and specifying the number of Warrants in respect of which the Subscription Rights are exercised and accompanied by a remittance for the Subscription Price of the Shares in respect of which the Subscription Rights are exercised. Once lodged, a notice of subscription shall be irrevocable, save for the consent of the Directors. Compliance must also be made with any statutory requirements for the time being applicable.

In order to exercise Subscription Rights in whole or in part the holder of a Warrant held in uncertificated form must send (or, if they are a CREST sponsored member, procure that the CREST sponsor sends) the appropriate instruction to CRESTCo at such time as to ensure that the Subscription Rights which are being exercised are settled no later than 5:00 p.m. on the Subscription Date. The holder of a Warrant held in uncertificated form must also deposit at the office of the registrars for the time being of the Company no later than 5:00 p.m. on the Subscription Date the remittance for the Subscription Price of the Shares in respect of which the Subscription Rights are exercised. Compliance must also be made with any statutory requirements for the time being applicable. Warrantheolders should note that CRESTCo does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with the instruction and its settlement. It is the responsibility of each Warrantheolder to ensure that all necessary action is taken to settle prior to 5:00 p.m. on the Subscription Date.

Remittance shall be made by a cheque denominated in sterling and payable to the Company. Alternatively, a Warrantheolder may arrange for the telegraphic transfer of the aggregate Subscription Price, including all bank charges and fees for such service, to the account of the Company.

The Directors may require, as a condition of the exercise of a Warrant, that the Warrantheolder certifies that such exercise is not by or on behalf of, or with a view to transfer to, an Overseas Person (as defined in the Prospectus). The Directors may also require, as a condition of such exercise, such other certifications as to nationality or residence as they deem necessary or desirable for the best interests of the Company.

- (c) Shares issued pursuant to the exercise of Subscription Rights will be allotted not later than 14 days after and with effect from the Subscription Date and certificates in respect of such Shares will be despatched (at the risk of the person(s) entitled thereto) not later than 28 days after the Subscription Date to the person in whose name the Warrants are registered at the date of such exercise (or, if more than one, to the first named of them, which shall be sufficient despatch for all) or to such other person(s) (not being more than four in number) as may be named in the form of nomination available for the purpose from the registrars of the Company for the time being. In the event of a partial exercise of the Subscription Rights by a person holding Warrants in certificated form comprised in a Warrant Certificate, the Company shall at the same time issue a fresh Warrant Certificate in the name of the holder for the balance of his Subscription Rights remaining exercisable.
- (d) Not earlier than 8 weeks nor later than 4 weeks before each Subscription Date the Company shall give notice to the holders of the outstanding Warrants reminding them of their Subscription Rights.
- (e) Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, made or paid on the Shares by reference to a record date prior to the relevant Subscription Date but subject thereto will rank in full for all dividends and other distributions declared, made or paid on the Shares and otherwise rank *pari passu* in all respects with the Shares of the Company in issue at that date provided that on any allotment falling to be made pursuant to paragraph 3(e) or (f) below the Shares so to be allotted shall not rank for any dividend or other distribution declared, made or paid by reference to a record date prior to the date of allotment.
- (f) The Company shall apply to the UK Listing Authority for the Shares allotted pursuant to any exercise of Subscription Rights to be admitted to the Official List of the UK Listing Authority and to trading on the London Stock Exchange and shall use all reasonable endeavours to obtain the admission thereof not later than 14 days after the relevant Subscription Date.
- (g) If immediately after any Subscription Date and after giving effect to the Subscription Rights exercised on that date, Subscription Rights under the Warrants shall have been exercised in respect of 75 per cent. or more of the Shares to which such rights relate the Company shall be entitled, on giving not less than 14 days' notice in writing to the holders of the Warrants then outstanding, to appoint a Trustee, who provided that in such Trustee's 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 giving of such notice, either exercise such Subscription Rights that have not been exercised on the immediately preceding Subscription Date on the terms on which the same could have been exercised and sell in the market the Shares acquired on such a subscription or accept any offer made to the Warrantheolders or to the Trustee (on behalf of the Warrantheolders) for the purchase of the Warrants. Such Trustee shall distribute *pro rata* the proceeds less such subscription costs and such other costs and expenses to the persons entitled thereto as soon as practicable after such sale, provided that entitlements of under £3 shall be retained for the benefit of the Company.
- (h) Within seven days following the final Subscription Date, the Company will appoint a Trustee who, provided that in such Trustee's 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, exercise such Subscription Rights as have not been exercised on the terms on which the same could have been exercised on the final Subscription Date and sell in the market the Shares acquired on such subscription. Such Trustee shall distribute, *pro rata*, the proceeds less such subscription costs and such other costs and expenses to the persons entitled thereto within two calendar months of the final Subscription Date, providing that entitlements of under £3 will be retained for the benefit of the Company. Subject thereto, all Subscription Rights shall lapse 14 days after the final Subscription Date.
- (i) The Trustee referred to in paragraphs (g) and (h) above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.

2. Adjustment of Subscription Rights

The Subscription Price (and the number of Warrants outstanding and the number and/or the nominal value of the Shares to be subscribed for upon exercise of the Warrants) shall from time to time be adjusted in accordance with the provisions of this paragraph 2.

- (a) If and whenever there shall be an alteration in the nominal amount of the Shares as a result of a consolidation or sub-division, the Subscription Price in force immediately prior to such alteration shall be adjusted by multiplying it by a fraction of which the numerator shall be the nominal amount of one such Share immediately after such alteration and the denominator shall be the nominal amount of one such Share immediately prior to such alteration, and such adjustment shall become effective on the date the alteration takes effect.
- (b) If and whenever the Company shall allot to the Shareholders any Shares credited as fully paid by way of capitalisation of reserves or profits (other than Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate nominal amount of the issued Shares immediately before such allotment and the denominator shall be the aggregate nominal amount of the issued and allotted Shares immediately after such allotment and such adjustment shall become effective as at the date of allotment of such Shares.
- (c) If on a date (or by reference to a record date) before the expiry of 14 days from the Subscription Date, the Company makes any offer or invitation to Shareholders (whether by way of a rights issue or otherwise but not being an offer to which paragraph 3(e) below applies or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 3(f) applies) is made to Shareholders otherwise than by the Company, then the Company shall, so far as it is reasonably able, procure that at the same time the same offer or invitation is made to the then Warranholders as if their Subscription Rights had been exercisable and had been exercised on the date immediately preceding the record date for such offer or invitation on the terms (subject to any adjustment made previously pursuant to paragraphs 2(a) to (f)) on which the same could have been exercised if they had been exercisable on that date, provided that, if the Directors so resolve in the case of such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the then Warranholders but the Subscription Price shall be adjusted: (i) in the case of an offer of new Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Shares in issue on the date of such announcement plus the number of Shares which the aggregate amount payable for the total number of new Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Shares in issue on the date of such announcement plus the aggregate number of Shares offered for subscription; and (ii) in any other case, in such manner as the auditors for the time being of the Company (the “Auditors”) shall report in writing to be in their opinion, fair and reasonable. Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the Auditors. For the purposes of this paragraph “market price” shall mean an average of the mean of the quotations as derived from the Official List of the UK Listing Authority for one Share for the five consecutive stock exchange dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Shares in issue on those days.
- (d) No adjustment shall be made to the Subscription Price pursuant to paragraphs 2(a), (b) or (c) above (other than by reason of and to reflect a consolidation of Shares as referred to in paragraph 2(a) above) if it would result in an increase in the Subscription Price and, in any event, no adjustment shall be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 2(d)) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest 1 pence. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- (e) Whenever the Subscription Price is adjusted in accordance with paragraphs 2(a) to (d) above (other than by reason of and to reflect a consolidation of Shares as referred to in paragraph 2(a) above), the Company shall, subject as provided below, issue, for no payment, additional Warrants to each Warranholder at the same time as such adjustment takes effect. The number of additional Warrants to which a Warranholder will be entitled shall be the number of existing Warrants held by him multiplied by the following fraction:

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

where:

X = the Subscription Price immediately before the adjustment; and

Y = the Subscription Price immediately after the adjustment

Fractions of Warrants will not be allotted to Warrantheholders but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the Warrantheholders entitled thereto, save that amounts of less than £3 will be retained for the benefit of the Company. In relation to such additional Warrants, Warrant Certificates (for Warrantheholders holding Warrants in certificated form) or CREST accounts (for Warrantheholders holding Warrants in uncertificated form) will be issued/credited within 21 days of the relevant adjustments taking effect.

The Company may, following such an adjustment to the Subscription Price, elect to adjust the subscription terms of existing Warrants (as opposed to issuing additional Warrants) so that the number and/or nominal value of Shares to be subscribed for on any subsequent exercise of the Warrants will be increased or, as the case may be, reduced in due proportion (fractions being ignored on an aggregated basis) so as to maintain the same cost of exercising the Subscription Rights of each Warrantheholder. Such adjustment shall be determined by the Directors of the Company and the Auditors shall confirm that, in their opinion, the adjustments have been determined in all material respects in accordance with the provisions of the Warrant Instrument.

- (f) Whenever the Subscription Price is adjusted in accordance with this paragraph 2 by reason of a consolidation of Shares as referred to in paragraph 2(a) above, the number of Shares for which each Warrantheholder is entitled to subscribe will be reduced accordingly.
- (g) The Company shall give notice to holders within 28 days of any adjustment made pursuant to paragraphs 2(a) to (f) above and within such period, in respect of any additional Warrants., either despatch Warrant Certificates to those Warrantheholders holding Warrants in certificated form or credit the CREST accounts of Warrantheholders holding Warrants in uncertificated form.
- (h) If a Warrantheholder shall become entitled to exercise his Subscription Rights pursuant to paragraph 3(f) below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors in accordance with the following formula:

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

where

A = the reduction in the Subscription Price;

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

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

D = the average of the mean of quotations as derived from the Daily Official List of the UK Listing Authority for one Share for the five consecutive dealing days referred to in the definition of C above

provided that:

- (i) the Subscription Price shall not be reduced so as to cause the Company to be obliged to issue Shares at a discount to nominal value and, if the application of the above formula would, in the absence of this sub-paragraph 2(h)(i), have reduced the Subscription Price to below the nominal

value of a Share, the number of Shares to be subscribed for pursuant to paragraph 3(f) below shall be adjusted in such manner as the Auditors shall report to be appropriate to achieve the same economic result for the Warrantheolders as if the Subscription Price had been reduced without regard to this sub-paragraph 2(h)(i);

- (ii) the Subscription Price shall not be reduced where the value of D exceeds the aggregate value of B and C in the above formula;
- (iii) notwithstanding (ii) above, the Subscription Price shall be further adjusted to take account, to the extent that it is not already reflected in the market value of the Warrants, of the time value of money in such manner as the Directors of the Company shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustments are fair and reasonable.

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

- (i) For the purpose of determining whether paragraph 3(h) below shall apply and, accordingly, whether each Warrantheolder is to be treated as if his Subscription Rights had been exercisable and had been exercised as therein provided, the Subscription Price which would have been payable on such exercise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

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

where

- A = the reduction in the Subscription Price;
- B = the Subscription Price which would, but for the provisions of this paragraph 2(i), be applicable (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above) if the Subscription Rights were exercisable immediately before the date on which the order referred to in paragraph 3(h) below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);
- C = the average of the mean of quotations (as derived from the Daily Official List of the UK Listing Authority) for one Warrant for the five consecutive stock exchange dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and
- D = the amount (as determined by the Auditors) of the surplus available for distribution in respect of each Share, taking into account for this purpose the Shares which would arise on exercise of all the Subscription Rights and the Subscription Price which would be payable on the exercise of such Subscription Rights (subject to any adjustments previously made pursuant to paragraphs 2(a) to (f) above but ignoring any adjustment to be made pursuant to this paragraph 2(i)).

The provisos set out in paragraph 2(h) above shall apply mutatis mutandis to any adjustment made in accordance with this paragraph 2(i).

- (j) Where an event which gives or may give rise to an adjustment to the Subscription Price occurs whether in such proximity in time to another such event or otherwise in circumstances such that the Company in its absolute discretion determines that the foregoing provisions need to be operated subject to some modification in order to give a result which is fair and reasonable in all the circumstances, such modification shall be made in the operation of the foregoing provisions as may be advised by the Auditors to be in their opinion appropriate in order to give such a result.

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 Shares or issue securities by way of capitalisation of profits or reserves except fully paid Shares issued to the holders of its Shares;
 - (ii) make any such offer or invitation as is referred to in paragraph 2(c) above, on or by reference to a record date falling within the period of six weeks ending on the Subscription Date;
 - (iii) in any way modify the rights attached to its existing Shares as a class (but 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) which carries rights as regards voting, dividend or return of capital more favourable than those attaching to the Shares;
 - (iv) reduce its share capital involving a repayment of capital or any uncalled or unpaid liability in respect of any of its share capital or (except as authorised by sections 130 to 134 (inclusive) or 170 Companies Act 1985) any share premium account or capital redemption reserve except for a reduction not involving any payment to Shareholders or by way of a compulsory purchase of Shares pursuant to the Articles of Association of the Company or a purchase of Shares at a price per share not more than the net asset value per Share (as most recently determined pursuant to the Articles of Association of the Company);
 - (v) amend the provisions of its Articles of Association to permit any surpluses arising on the realisation of investments to be distributed as dividend; or
 - (vi) make any allotment of fully paid Shares by way of capitalisation of profits or reserves unless at the date of such allotment the Directors have authority and power for the purposes of sections 80 and 95 of the Companies Act 1985 to grant the additional rights to subscribe to which the holders of Warrants will by virtue of paragraph 2(b) hereof be entitled in consequence of such capitalisation;
- and so that nothing herein shall prevent the Company from purchasing its Shares on such terms as the Company shall determine.
- (b) The Company shall not issue any 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) above if as a result the Company would on any subsequent exercise of the Subscription Rights be obliged to issue Shares at a discount.
- (c) The Company shall keep available for issue sufficient authorised but unissued share capital to satisfy in full all Subscription Rights remaining exercisable.
- (d) The Company shall not make any such offer or invitation as is referred to in paragraph 3(a)(ii) above to the holders of Shares unless:
- (i) 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 required to be allotted to the holders of the Warrants in consequence of the Company making the same offer or invitation to the holders of the Warrants in accordance with paragraph 3(a)(ii) above; and
 - (ii) section 89 of such Act shall have been disapplied to the extent (if any) necessary to enable the Company to make such offer or invitation to the holders of the Warrants and to effect allotment pursuant thereto.
- (e) If at any time an offer or invitation is made by the Company to the holders of the Shares for the purchase by the Company of any of its Shares, the Company shall simultaneously give notice thereof to the Warrantholders and each such holder shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise his Subscription Rights on the terms on which the same could have been

exercised on the last preceding Subscription Date (subject to any adjustment pursuant to paragraphs 2(a) to 2(f) above) so as to take effect as if he had exercised his rights immediately prior to the record date of such offer or invitation.

- (f) If at any time an offer is made to all holders of Shares (or all holders of Shares 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 share capital of the Company and the Company becomes aware that as a result of such offer the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid, the Company shall give notice to the holders of the Warrants of such vesting within 7 days of its becoming so aware, and each such holder 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 on which the same could have been exercised on the last preceding Subscription Date (subject to any adjustment pursuant to paragraphs 2(a) to 2(f) above and subject to paragraph 2(h) above) and so that failing such exercise within such period such rights shall lapse upon the expiry of such period; the publication of a scheme of arrangement providing for the acquisition by any person of the whole or any part of the issued share capital of the Company shall be deemed to be the making of an offer for the purposes of this paragraph 3(f) and references herein to such an offer shall be read and construed accordingly. For the purposes of this paragraph 3(f), if a person becomes a Warrantholder at any time during the additional exercise period no notice shall be given to such holder but such holder shall be entitled to exercise his Subscription Rights during the period in which other holders are able to exercise their Subscription Rights.
- (g) If under any offer as referred to in paragraph 3(f) above the consideration shall consist solely of the issue of Shares of the offeror and the offeror shall make available an offer of warrants to subscribe for Shares in the offeror in exchange for the Warrants, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and to the terms of paragraph 2(h) and any other circumstances which may appear to such financial advisers to be relevant), then a Warrantholder shall not have the right to exercise his Subscription Rights on the basis referred to in paragraph 3(f) above and subject to the offer as referred to in paragraph 3(f) above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued share capital of the Company not already owned by it, and/or any company controlled by it and/or any persons acting in concert with it, any Director of the Company shall be irrevocably authorised as attorney for the Warrantholders who have not accepted the offer of warrants to subscribe for shares in the offeror in exchange for the Warrants:
 - (i) to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for shares in the offeror as aforesaid, whereupon all the Warrants shall lapse; and
 - (ii) to do such acts and things as may be necessary or appropriate in connection therewith.
- (h) If an order is made or an effective resolution is passed for winding-up of the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary resolution of the holders of the Warrants), each holder of a Warrant 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 had been received in full by the Company, there would be a surplus available for distribution amongst the holders of the Shares which, on such basis, would exceed in respect of each Share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Subscription Rights had been exercisable and had been exercised in full, on the terms on which the same could have been exercised on the Subscription Date (subject to any adjustment pursuant to paragraphs 2(a) to 2(f) and 2(i) above), and shall accordingly be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Share equal to the Subscription Price (subject to any adjustment as aforesaid). Subject to the foregoing all Subscription Rights shall lapse on liquidation of the Company.
- (i) The Company shall not grant (or agree to grant) (except with the sanction of an extraordinary resolution of the holders of the Warrants) any option in respect of, or create any rights of subscription for, any Shares or issue any loan capital carrying rights of conversion into, Shares if the price at which any such option or rights is exercisable is lower than the Subscription Price for the time being.

4. Modification of Rights

All or any of the rights for the time being attached to the Warrants and all or any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an extraordinary resolution of the Warrantholders provided that no such alteration or abrogation may be effected which is detrimental to the rights or interests of Shareholders except with the sanction of an extraordinary resolution of Shareholders. 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 the holders (present in person or by proxy) entitled to acquire one-third of the nominal amount of the 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 shall be entitled on a poll to one vote for every 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 holders of Warrants (present in person or proxy) shall be a quorum (whatever the number of Warrants held or represented by them).

Any such alteration or abrogation approved as aforesaid shall be effected by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument. Modifications to the Warrant Instrument which are (i) of a formal, minor or technical nature, or (ii) made to correct a manifest error, or (iii) made in order to permit the holding and transfer of the Warrants in uncertificated form, and which (in each such case) do not adversely affect the interests of the Warrantholders, may be effected without the sanction of an extraordinary resolution by deed poll executed by the Company and expressed to be supplemental to the Warrant Instrument and notice that such a modification has been made shall be given by the Company to the Warrantholders with the next annual or interim report.

5. Transfer and Transmission

- (a) Each Warrant will be registered and will be transferable in whole by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors, except that no transfer of a right to subscribe for a fraction of a Share may be effected.
- (b) Subject as provided in paragraph 5(a) above, the provisions of the Articles of Association for the time being of the Company relating to the ownership, registration, compulsory repurchase, transfer and transmission of Shares and the issue of certificates shall *mutatis mutandis* apply to the Warrants.

6. Purchase of Warrants by the Company

The Company shall have the right to purchase Warrants in the market, by tender or by private treaty but:

- (a) such purchases will be limited to a maximum price per Warrant which, in the case of purchases through the market, will not exceed 5 per cent. above the average of the middle market quotations (as derived from the Daily Official List of the UK Listing Authority) for the 5 consecutive dealing days ending on the dealing day immediately preceding the date on which the purchase is made; and
- (b) if such purchases are by tender such tender will be available to all holders of Warrants alike.

All Warrants so purchased shall forthwith be cancelled and will not be available for re-issue or re-sale.

7. General

- (a) The Company will concurrently with the issue of the same to the Shareholders send to each Warrantholder (or in the case of joint 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 a copy of every statement, notice or circular issued by the Company to Shareholders.
- (b) For the purposes of these terms and conditions, “extraordinary resolution of the Warrantholders” means a resolution proposed at a separate meeting of the Warrantholders duly convened and held and passed by a majority consisting of not less than three-fourths of the votes cast whether on a show of hands or on a poll.

- (c) For the purposes of these terms and conditions, “business day” means a day (other than a Saturday) on which banks in London are open for business.
- (d) Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company and each of the holders of the Warrants.
- (e) The provisions of the Articles of Association for the time being of the Company insofar as they apply or refer to the Warrants or Warrantholders shall have effect. The Company may, in accordance with its Articles of Association, purchase its own Shares.
- (f) References in these particulars to the Companies Act 1985 or any provisions thereof shall include a reference to any statutory modification or re-enactment thereof.
- (g) If any events referred to in paragraphs 2(c), 3(e) and 3(h) above shall occur prior to the first Subscription Date, the paragraph concerned shall be read and construed in relation to that event as if the words “first Subscription Date” were substituted for the words “last preceding Subscription Date”.
- (h) The exercise of subscription rights by the holder of Warrants or a beneficial owner of Warrants who has a registered address in Canada or who is a US Person, or the right of such a holder or beneficial owner of Warrants to receive the new Shares falling to be issued to him following the exercise of his subscription rights, will be subject to such requirements, conditions, restrictions, limitations or prohibitions as the Company may at any time impose, in its absolute discretion, for the purpose of complying with the securities laws of Canada or the United States (including, without limitation, the United States Securities Act of 1933 (as amended), United States Investment Company Act of 1940 (as amended) and any rules or regulations promulgated under such Acts). As used herein, “United States” means the United States of America (including each of the States and the District of Columbia), its territories and possessions or other areas subject to its jurisdiction and “US Person” has the meaning given by Regulation S under the United States Securities Act of 1933 (as amended).
- (i) These terms and conditions shall be governed by and construed in accordance with the law of England and Wales.

PART 5

General Information

1. History

- 1.1 The Company was incorporated and registered in England and Wales on 29 May 2001 as a public limited company under the Act with the name Jaspergold Public Limited Company and with registered number 4223875. The Company's name was changed to SR Europe Investment Trust plc on 2 July 2001. The Company operates under the Act and the regulations made thereunder.
- 1.2 Since its incorporation, the Company has not traded and no accounts of the Company have been made up. On 2 July 2001, the Company was granted a certificate of entitlement to do business and to borrow under section 117 of the Act.
- 1.3 The Company is intended to be an investment company within the meaning of section 266 of the Act.

2. Share Capital

- 2.1 The authorised share capital of the Company on incorporation was £100,000 divided into 100,000 ordinary shares of £1 each. On incorporation two ordinary shares were issued nil paid and on 2 July 2001 were transferred to the Manager and its nominee. These ordinary shares will be included in the Placing and Offer.
- 2.2 On 2 July 2001 the Manager was allotted 49,998 ordinary shares of £1 each against its irrevocable undertaking to pay up to the nominal value of these (and the two subscriber shares) by no later than 1 September 2001. These ordinary shares will be credited with Warrants on a one for five basis and (after the sub-division referred to below) will be included in the Placing and Offer.
- 2.3 Pursuant to a written special resolution of the members passed on 4 July 2001:
 - (i) the authorised share capital of the Company was increased to £7,500,000 by the creation of 7,400,000 further ordinary shares of £1 each;
 - (ii) each of the issued and unissued ordinary shares of £1 each in the capital of the Company was subdivided into 10 Ordinary Shares of 10 pence each;
 - (iii) the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all the powers of the Company to allot relevant securities (as defined in section 80(2) of the Act) pursuant to the offer for subscription and placing of the Company's ordinary shares and warrants, and in connection with the issue of ordinary shares and warrants pursuant to the recommended scheme of reconstruction of S.R. Pan-European Investment Trust plc proposed to be effected in August 2001 (together the "Issue"), up to an aggregate nominal amount of £7,450,000 such authority being in substitution for any existing such authorities and to expire on 3 July 2006 (unless previously revoked, varied or extended by the Company in general meeting), but so that the Directors may, at any time before such expiry, make an offer or agreement which would or might require relevant securities in pursuance of such offer or agreements as if the authority had not expired;
 - (iv) the Directors were empowered (pursuant to section 95(1) of the Act) to allot and make offers or agreements to allot equity securities (as defined in section 94(2) of the Act) pursuant to the authority referred to in sub-paragraph (iii) above as if section 89(1) of the Act did not apply to any such allotment, provided that such power is limited to the allotment of equity securities up to the conclusion of the annual general meeting of the Company in 2002, pursuant to the Issue and the exercise of subscription rights of the Warrants (the "Section 89 Period"). The Directors may, at any time prior to the expiry of the Section 89 Period, make an offer or agreement which would or might require equity securities to be allotted after the expiry of the Section 89 Period and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power had not expired;
 - (v) the Company adopted new Articles of Association containing the provisions summarised in paragraph 4 of this Part 5;
 - (vi) the Company adopted a new objects clause to the memorandum of association.

- 2.4 Save for the Warrants no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.
- 2.5 The provisions of section 89 of the Act (which to the extent not disapplied pursuant to section 85 of the Act, confer on shareholder 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 balance of the authorised but unissued share capital of the Company save to the extent disapplied as mentioned in paragraph 2.3(iv).
- 2.6 Save as disclosed in this document and apart from the exercise of subscription rights attaching to the Warrants, 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, either for cash or any other consideration and no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital.
- 2.7 Any of the Ordinary Shares comprised in the Issue but not subscribed or available for issue upon the exercise of the Warrants will remain authorised but unissued.
- 2.8 The Ordinary Shares are in registered form.
- 2.9 Subject to the Uncertificated Securities Regulations 1995, the Company's register may be closed at such time or times and during such period as the Directors may think fit, not exceeding in total 30 days in each year.

3. Memorandum of Association

The memorandum of association of the Company provides that the Company's principal object is to carry on the business of an investment company in all its branches and in any part of the world. The objects of the Company are set out in clause 4 of the memorandum of association which is available for inspection at the address set out in paragraph 14 below.

4. Articles of Association

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

4.1 Rights attaching to the Ordinary Shares

(a) Voting

Subject to the Articles, the Ordinary Shareholders have the right to receive notice of and to vote at, general meetings of the Company. Every Ordinary Shareholder who is present in person or who (being a corporation) is present by a representative shall on a show of hands have one vote and every such holder present in person or who (being a corporation) is present by a representative or by proxy shall on a poll have one vote for each Ordinary Share of which he is the holder.

(b) Dividends

Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board and no dividend may be paid out of capital gains. Subject to the provision of the Act, the Board may declare and pay such interim dividends (including any dividend payable at a fixed rate) as appears to the Board to be justified by the profits of the Company available for distribution. Except as otherwise provided by the rights attached to the Ordinary Shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the Ordinary Shares on which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall (if the Board so resolves) be forfeited and shall cease to remain owing by the Company.

Ordinary Shareholders shall be entitled to any dividends paid or declared in accordance with the Act and the Articles and Ordinary Shareholders shall rank *pari passu* in all respects for all dividends paid or declared.

4.2 General

(a) Non-disclosure of Interests in Ordinary Shares

The Directors of the Company may by notice (a “default notice”) to a member direct that such member shall not be entitled to attend or vote (either in person or by proxy (or, being a corporation, by representative) at any general meeting if that member or any other person appearing to be interested in shares held by such member has been duly served with a notice under section 212 of the Act and is in default for a period of 14 days after the date of such service in supplying the information thereby required. Where the Ordinary Shares held by such member represent 0.25 per cent. or more of the issued Ordinary Shares then, in addition, if the relevant default notice so directs, any sums payable (whether in respect of dividend or other money which would otherwise be payable) in respect of such Ordinary Shares or any part thereof shall be withheld by the Company until such time as the relevant notice under section 212 of the Act ceases to have effect and the Company shall not have any obligation to pay interest on any such sums when they are finally paid to the member concerned and no transfer of such Ordinary Shares shall be registered, save in certain circumstances.

(b) Variation of Rights and Class Meetings

Whenever the share capital of the Company is divided into different classes of shares, the rights attached to any class may, subject to the provisions of the Act and the Articles, be varied or abrogated either with the consent in writing of the holders of three-quarters 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 the shares of that class and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. All the provisions of the Act and of the Articles relating to general meetings of the Company and the proceedings thereat shall, so far as applicable, apply to any such separate general meeting except that the necessary quorum at such meeting shall be two persons holding or representing by proxy at least one third in nominal value of the issued shares of that class (except at an adjourned meeting when the quorum shall be any holder of shares of that class present in person or by proxy (or, in the case of a corporation, its representative)). Any holder of shares of the relevant class present in person or by proxy (or being a corporation, by representative) may demand a poll and every such holder shall on a poll have one vote for every share of that class held by him.

(c) Alteration of Capital

The Company may by ordinary resolution:

- (i) increase its share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe;
- (ii) consolidate and divide any of its shares into shares of larger amount than its existing shares;
- (iii) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (iv) subject to the provisions of the Act, sub-divide any shares into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, one or more of such shares may have such preferred, deferred or other special rights or be subject to any such restrictions, compared with other shares.

Subject to the provisions of the Act, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account or other undistributable reserve in any manner. The Company may also by ordinary resolution or special resolution, as the case may require, purchase its own shares (including any redeemable shares) in any manner authorised by the Act.

(d) Transfer of Shares

- (i) Transfers of shares in certificated form may be effected by transfers in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer shall be signed by, or on behalf of, the transferor and (except in the case of fully

paid shares) by, or on behalf of, the transferee. In relation to uncertificated shares references in the Articles to instruments of transfer shall include instructions and/or notifications made in accordance with the relevant system relating to the transfer of such shares.

- (ii) The Directors may, in their absolute discretion and without assigning any reason therefor, refuse to register a transfer of any share (not being a fully paid share) provided that, where such shares are admitted to the Official List, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis.
- (iii) The Directors may also refuse to recognise any instrument of transfer in respect of any Share in certificated form unless it is:
 - (A) in respect of only one class of share;
 - (B) duly stamped if required; and
 - (C) delivered for registration to the registered office of the Company or such other place as the Directors may from time to time determine, accompanied, except in the case of a transfer by a recognised person where a certificate has not been issued, by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the right of the transferor to make the transfer.
- (iv) The Directors may also refuse to register a transfer of any share (whether in certificated form or not and whether fully paid or not) to more than four persons to be held jointly by them.
- (v) The Directors may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Uncertificated Securities Regulations 1995 (“the Regulations”) and the relevant system.
- (vi) The registration of transfers may be suspended at such times and for such periods as the Board may from time to time determine, and either generally or in respect of any class of shares, provided always that such registration shall not be suspended for more than thirty days in any year and such suspension shall only apply to shares in uncertificated form with the prior consent of the operator of the relevant system concerned.

4.3 *Directors*

- (a) Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two nor more than eight.
- (b) The provisions of section 293 of the Act (which regulate the appointment and continuation in office as directors of persons who have attained the age of 70 or more) shall not apply to the Company.
- (c) At each annual general meeting of the Company, one-third of the Directors (or, if their number is not three or an integral multiple of three, the number nearest to, but greater than, one-third) shall retire from office by rotation save that if any Director has at the start of the annual general meeting been in office for more than three years since his last appointment or reappointment he shall retire and if there is only one Director who is subject to retirement by rotation he shall retire.
- (d) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine provided that the aggregate amount paid to Directors by way of fees shall not exceed £100,000 in any financial year, or such greater sum as may be determined from time to time by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings. If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director or shall travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Board may think fit for expenses, and also such reasonable additional remuneration as the Board may determine either in addition to or in substitution for any other remuneration he may be entitled to receive.

- (e) Subject to the provisions of the Act and provided that he has disclosed to the Directors the nature and extent of his interest, a Director may be a party to, or otherwise interested in, any contract, transaction or arrangement to which the Company is a party or in which the Company is otherwise interested. Subject to any agreement to the contrary between the Company and the Director, a Director:
- (i) may be a director or other officer of, or employed by, or a party to any contract, transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
 - (ii) may (or any firm of which he is a partner, employee or member may) act in a professional capacity for the Company (other than as Auditor) and be remunerated therefor; and
 - (iii) shall not, save as otherwise agreed by him, be accountable to the Company for any benefit which he derives from any such contract, transaction or arrangement or from any office or employment or from any interest in any such body corporate or for such remuneration and no such contract, transaction or arrangement shall be liable to be avoided on the grounds of any such interest or benefit.
- (f) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning his own appointment, or the settlement or variation of the terms of the termination of his appointment to any office or place of profit with the Company or any other company in which the Company is interested.
- (g) A Director shall not vote at a meeting of the Directors (or a committee of the Directors) on any resolution concerning any contract or arrangement or any other proposal whatsoever in which he has any material interest (together with any interest of any person connected with him within the meaning of section 346 of the Act) otherwise than by virtue of his interest in shares, debentures or other securities of, or otherwise in or through, the Company. A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
- (i) the giving of any security, guarantee or indemnity in respect of (a) money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings or (b) a debt or other obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (ii) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to or may participate;
 - (iii) any proposal concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise, provided that he (together with persons connected with him within the meaning of Section 346 of the Act) does not have an interest (as that term is used in Sections 198 to 211 of the Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of the Articles to be a material interest in all circumstances);
 - (iv) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
 - (v) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors.

A Director shall not be counted in the quorum present at a meeting in relation to a resolution on which he is not entitled to vote.

4.4 *Borrowing Powers*

Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property (present and future) and uncalled capital or any parts or part thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligations of the Company or of any third party.

4.5 *Reserves*

The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special fund into which the reserve may have been divided. The Directors may also without placing the same to reserve carry forward any profits. In carrying sums to reserve and in applying the same the Directors shall comply with the provisions of the Act.

The Directors shall establish a capital reserve (the “capital reserve”) and either carry to the credit of the capital reserve or apply in providing for depreciation or contingencies any capital appreciation arising on the sale, realisation, transposition, repayment or revaluation of any investments or other capital assets of the Company in excess of the book value thereof. Any loss realised on the sale, realisation, transposition, repayment or revaluation of any investments or other capital assets and any other sum incurred in connection with the assets of the Company, which in the opinion of the Board is reasonably and fairly apportioned to capital, shall be carried to the debit of the capital reserve, except insofar as the Directors may in their discretion decide to make good the same out of other reserves of the Company. 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 reserve are applicable and provided that no part of the capital reserve or any monies in the nature of accretion to capital shall be transferred to revenue account, or be applied in paying dividends on any shares in the Company’s capital or be regarded as, or treated as, profits of the Company available for distribution, save that the Company may distribute capital profits by way of the redemption or purchase of any of the Company’s own shares, in accordance with Section 160 or 162 of Chapter Part VII of the Act. The Directors may, subject to applicable legislation and practice, determine whether any amount received by the Company is to be dealt with as income or capital or partly one and partly the other.

4.6 *Dividends*

- (a) The Company may by ordinary resolution declare dividends but no such dividend shall exceed the amount recommended by the Directors. If and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may pay fixed dividends on any class of shares carrying a fixed dividend expressed to be payable on fixed dates on the half-yearly or other dates prescribed for the payment thereof and may also from time to time pay interim dividends on shares of any class of such amounts and on such dates and in respect of such periods as they think fit.
- (b) No dividend shall be paid otherwise than out of profits available for distribution under the provisions of the Act.
- (c) Unless, and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.
- (d) No dividend or other moneys payable on or in respect of a share shall bear interest.
- (e) Any dividends unclaimed after a period of 12 years from the date such dividend is payable shall, if the Board so resolves, be forfeited and shall cease to remain owing by the Company.

4.7 *Duration*

The Directors will procure that at the annual general meeting of the Company to be held to approve the Company’s accounts in respect of the financial year ending 31 December 2006 the Directors will propose an ordinary resolution for the continuation of the Company in its current form. If this resolution is passed, then a similar resolution will be proposed at every third subsequent annual general meeting. If such a resolution is not passed, an extraordinary general meeting of the Company will be convened within the following four months to consider proposals for the liquidation, reorganisation or reconstruction of the Company.

5. Directors' Interests

5.1 None of the Directors has any interests in the share capital of the Company or any interests which are required to be notified to the Company pursuant to sections 324 or 328 of the Act or which are required pursuant to section 325 of the Act to be entered in the register referred to therein, nor does (so far as is known to, or could with reasonable diligence be ascertained by, the Directors) any person connected with the Directors (which expression shall be construed in accordance with section 346 of the Act) have any interests in such share capital.

5.2 Assuming that the Issue is fully subscribed (and assuming for SR Pan-European a Terminal Asset Value of 108.65p per ordinary income share[†] and 90.83p per zero dividend preference share), and based on the intentions of the Directors (and persons connected with the Directors, as described under paragraph 5.1 above) to subscribe under the Placing or Offer and/or roll over all or part of their investment in SR Pan-European into Ordinary Shares the Directors (and persons connected with the Directors, as described under paragraph 5.1 above) are expected to hold, following the Issue, the number of Ordinary Shares set out below:

	<i>Ordinary Shares*</i>	<i>(%)</i>
M R Riley	858,400	1.72
E C Elstob	225,227	0.45
R Q Hoare	2,938,405	5.88
T W N Guinness	—	—
H P Sloane	651,949	1.3

*Based on the assumption that £50 million is raised under the Issue, with the issue of 50 million Ordinary Shares and 10 million Warrants.

†This figure is for illustrative purposes only. The actual terminal asset value per ordinary income share will not be calculated until 14 August 2001.

5.3 There are no service contracts in existence between the Company and any of its Directors, nor are any such contracts proposed.

5.4 In addition to their directorships of the Company, the Directors held or have held the following directorships, and are or were members of the following partnerships, within the past five years:

	<i>Current</i>	<i>Past</i>
M R Riley	Bonfield Asset Management Limited Bryum Limited Bulldog Holdings Limited Bulldog Properties Limited Bulldog Securities Limited Clarke Foods PLC (in liquidation) S.R. Pan-European Investment Trust plc	Henderson Crosthwaite Limited Barlows PLC Poulton Investment Trust Limited (in liquidation)
E C Elstob	Abtrust Asian Smaller Companies Investment Trust PLC Edifice Trustees Limited Foreign & Colonial Eurotrust plc F&C Pacific Investment Trust PLC G.T. Japan Investment Trust PLC G.T. Japan Securities Limited Henderson Smaller Companies Investment Trust plc MSG & Partners Limited S.R. Pan-European Investment Trust plc The World Trust Fund S.A.	Bangkok Investments Limited Foreign & Colonial German Investment Trust PLC Christ Church Spitalfields Restoration Trust Spitalfields Festival Society Saracen Value Trust PLC

	<i>Current</i>	<i>Past</i>
T W N Guinness	Brompton Bicycle Limited	Calder and Company S.a.r.l.
	Grocers' Hall Limited	(Alderney)
	Guinness Flight Investment	Finistere Life Assurance Company
	Funds Inc (US)	Limited (Guernsey)
	Investec Asset Management (Pty)	Guinness Flight Global Advisers
	Limited (South Africa)	Guinness Flight Hambro Global Fund
	Investec Global Strategy Fund Limited	Managers Limited
	(Guernsey)	Guinness Flight Madras Indian Equity
	Investec International Accumulation Fund	Fund Limited (Mauritius)
	Limited (Guernsey)	Guinness Flight Trustees S.a.r.l.
	Investec International Money Market	(Guernsey)
	Fund Limited (Jersey)	Guinness Mahon International
	Investec Select Funds plc (Ireland)	Investment Management Limited
	S.R. Pan-European Investment Trust plc	Guinness Mahon Unit Trust Managers
	The Grocers' Investment Company	Limited
	Limited	Investec Asset Management Guernsey
	The Grocers' Trust Company Limited	Limited (Guernsey)
	New Boathouse Capital Limited	Investec Asset Management Ireland
	Investec Asset Management Limited	Limited (Ireland)
	Investec High Income Trust PLC	Investec Asset Management Namibia
	Investec Extra Income Trust PLC	(Pty) Limited (South Africa)
		Investec Asset Management Overseas
		Holdings Limited (Guernsey)
		Investec Assurance Limited
		(South Africa)
		Investec Fund Managers Limited
		Investec Guinness Flight (Botswana)
		Limited (South Africa)
		Investec Guinness Flight Investment
		Trust Managers Limited
		Investec Guinness Flight Portfolio
		Management Limited
		Investec Investment Management
		Ireland Limited (Ireland)
		Investec Management Limited
		London and South American
		Investment Trust Ltd
		Temple Bar Properties Limited
		Temple Bar Securities Limited
		Guinness Flight World-Wide
		Umbrella
		Fund Limited (Guernsey)
		Investec Investment Management
		Limited

	<i>Current</i>	<i>Past</i>
R Q Hoare	Bulldog Holdings Limited Bulldog Industrial Enterprises Limited Bulldog Properties Limited Bulldog Securities Limited C Hoare & Co Finsbury Technology Trust PLC Fintech Investments Limited Hoares Bank Nominees Limited Messrs Hoare Trustees Mitre Court Property Holding Company Mitre Court Securities Limited Placehill Limited S.R. Pan-European Investment Trust plc Savoy Theatre Management Limited Seven Walpole Street Management Limited Theatre Management Limited Two Temple Place Limited	Barlows PLC Thompson Clive (Jersey No. 2) Limited Vaudeville Theatre Limited Element International Limited
H P Sloane	Grosmont Limited Sloane Robinson Investment Management Limited The Establishment Trust	

At the date of this document none of the Directors of the Company:

- (i) has any unspent convictions in relation to indictable offences; or
- (ii) has been bankrupt or entered into an individual voluntary arrangement; or
- (iii) was a director with an executive function of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- (iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (v) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (vi) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5.5 The Directors other than Mr H. Sloane are directors of S.R. Pan-European, which is a party to the Implementation Agreement referred to in paragraph 9 below. Mr H. Sloane is a shareholder and director of the Manager, which will receive fees under the Investment Management Agreement referred to in paragraph 8 below. Save as aforesaid, none of the Directors has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

5.6 No loan or guarantee has been granted or provided by the Company to any Director.

6. Substantial Share Interests

As at 11 July 2001 (the latest practicable date prior to publication of this Prospectus), the Company was not aware of any persons who, immediately following the Issue, could, directly or indirectly, jointly or severally, exercise control over the Company.

In so far as it is known to the Company no person other than as disclosed in paragraph 5.2 above is, directly or indirectly, interested in 3 per cent. or more in the Company's issued share capital.

7. Placing, Offer and Warrant Underwriting Agreement

By a Placing, Offer and Warrant Underwriting Agreement dated 12 July 2001 between the Company, the Manager and Cazenove (“the Agreement”), the Company has appointed Cazenove to act as its agent to make the Offer and to use its reasonable endeavours to place up to 50 million Ordinary Shares and up to 10 million Warrants. The Agreement also provides that Cazenove will subscribe for, or procure subscribers for, those Warrants which investors under the Placing and Offer, or shareholders under the Scheme, elect not to receive and to subscribe for, or procure subscribers for, such additional Warrants as will result in there being in issue, following the Issue, 1 Warrant for every 5 Ordinary Shares in issue. The Agreement is conditional, *inter alia*, upon Admission of the Ordinary Shares and Warrants to be issued pursuant to the Placing and Offer occurring by not later than 15 August 2001 or such later date as Cazenove and the Company shall agree, not being later than 31 August 2001.

In consideration of Cazenove’s services under the Agreement, Cazenove will be paid a fee of £100,000 and an amount equal to 1 per cent. of the value of funds raised by the Company under the Offer and Placing. Whether or not Admission takes place, the Company or the Manager will pay Cazenove’s reasonable costs and expenses in connection with the Issue.

The Agreement contains certain warranties and indemnities given by the Company and the Manager in favour of Cazenove. The Agreement may be terminated prior to Admission in certain circumstances, including *force majeure*.

8. Management Agreement

By a discretionary investment management agreement dated 11 July 2001 between the Company and the Manager (the “Management Agreement”) the Company has appointed the Manager to provide discretionary fund management services to the Company. Under the Management Agreement the Manager will be paid for its services a fee (exclusive of VAT) of 0.6 per cent. per annum of the Company’s gross assets (excluding the value of any securities held by the Company in any other investment fund managed by the Manager or an associate of the Manager). In addition, the Manager will be entitled to a performance fee, payable at the time of the annual general meeting of the Company in 2007 (or on earlier termination of the Management Agreement or liquidation of the Company), of an amount equal to 5 per cent. of the amount by which the fully diluted net asset value per Ordinary Share at the date of calculation of the performance fee exceeds 100p increased by 5 per cent. per annum compound, multiplied by the initial number of Ordinary Shares in issue. The performance fee will not in any event exceed 4 per cent. of the net assets of the Company at the date of calculation. In providing its services the Manager will have, subject to the overall control and direction of the Directors, discretionary powers to deal in investments on the Company’s behalf.

The Management Agreement is for a term expiring on the second anniversary of its commencement and shall continue thereafter until terminated by either party on not less than three months’ notice, such notice to take effect at any time on or after the second anniversary of commencement of the agreement. There are provisions for summary termination of the Management Agreement in certain circumstances which include where either the Company or the Manager commits a material breach of the agreement and such breach is not rectified within 30 days or where either the Company or the Manager goes into liquidation (other than a voluntary liquidation on terms approved by the other party) or if a receiver or administrator is appointed over the whole or a substantial part of the Company’s or the Manager’s assets or if the Manager ceases to be authorised under the Financial Services Act 1986 or there is a change of control in the Manager (“control” to have the same meaning as that set out in section 840 Income and Corporation Taxes Act 1988).

9. Implementation Agreement

By an implementation agreement (the “Implementation Agreement”) dated 11 July 2001 between the Company, S.R. Pan-European, the Liquidators and the Manager, the parties have agreed to use their reasonable endeavours to procure the implementation of the proposals for the reconstruction of S.R. Pan-European as set out in the Scheme Circular and the principal contents are:

- (a) notwithstanding the termination of the Management Agreement dated 16 March 2000 and the Supplemental Management Agreement dated 16 November 1999 the Manager agrees to provide all assistance reasonably requested of it so as to allow the Company, the Liquidators and S.R. Pan-European to comply with the Transfer Agreement (when executed) and implement the Scheme;
- (b) the retention to be made in the Liquidation Fund for unforeseen liabilities;

- (c) the sale of assets by S.R. Pan-European to the Company at values calculated in accordance with the Scheme; and
- (d) undertakings from the Company, the Liquidators and S.R. Pan-European to enter into the Transfer Agreement.

10. Transfer Agreement

Subject to the special resolutions contained in the notice of the extraordinary general meeting of S.R. Pan-European to be held on 15 August 2001 being passed and becoming unconditional, the Company will enter into the Transfer Agreement with the Liquidators and S.R. Pan-European on 15 August 2001. Pursuant to the Transfer Agreement, certain assets of S.R. Pan-European will be transferred to the Company on the basis of elections or deemed elections for Ordinary Shares with Warrants attached or just Ordinary Shares by ordinary income or zero dividend preference shareholders of S.R. Pan-European. Under the Transfer Agreement the Liquidators undertake with S.R. Pan-European so far as it lies within their power to ensure that the requirements for the approval by the Inland Revenue of S.R. Pan-European as an investment trust within the meaning of Section 842 of ICTA are fulfilled throughout the accounting period commencing on the liquidation of S.R. Pan-European.

11. Administration Agreement

The Company has entered into an Administration Agreement with Sinclair Henderson Limited on 11 July 2001 relating to the provision of company secretarial and administration services to the Company. The Administration Agreement shall continue until terminated by either party giving not less than twelve months notice in writing. Under the Administration Agreement Sinclair Henderson Limited will be paid for its services a fee (exclusive of VAT) of £46,536 per annum paid in equal monthly instalments in arrears. The fee will be adjusted annually, on an upwards basis only, by reference to changes in the all items index of retail prices for England and Wales.

12. Material Contracts

Save for the following contracts, the Company has entered into no contracts (other than contracts in the ordinary course of business) within the last two years which are or may be material or which are contracts which have been entered into by the Company and contain provisions under which the Company has any obligation or entitlement which is material as at the date of this document:

- 12.1 the Placing, Offer and Warrant Underwriting Agreement (referred to in paragraph 7);
- 12.2 the Management Agreement (referred to in paragraph 8 above);
- 12.3 the Implementation Agreement (referred to in paragraph 9 above);
- 12.4 the draft Transfer Agreement (referred to in paragraph 10 above);
- 12.5 the Administration Agreement (referred to in paragraph 11 above).

13. General

- 13.1 Under the arrangements in force at the date of this document, the total amount of fees which it is estimated will be payable to the Directors in respect of the current financial year of the Company are £19,000. Mr. H. Sloane, a director of the Manager, has agreed to waive his fees as a Director.
- 13.2 Since its incorporation, the Company has not been engaged in and it is not currently engaged in any litigation or arbitration proceeding nor, so far as the Directors are aware, is there any litigation or claim pending or threatened by or against the Company which may have, or has since incorporation had, a significant effect on the Company's financial position.
- 13.3 The Company has not traded. There has been no significant change in the trading or financial position of the Company since its incorporation and no accounts have been made up.
- 13.4 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. It is also the intention of the Directors that the Company's income be derived wholly or mainly from shares or other securities.

- 13.5 Sloane Robinson is regulated by IMRO in the conduct of investment business. Cazenove is a member of, and regulated by, The Securities and Futures Authority Limited. Each of Cazenove and the Manager have given and not withdrawn their written consent to the issue of this document with the references to their names in the form and context in which they appear.
- 13.6 The costs and expenses of, and incidental to, the Issue which will be borne by the Company have been estimated at 1.31 per cent. of the gross proceeds. Assuming gross proceeds of £50 million, the estimated net proceeds of the Issue will be £49.3 million which will be applied in accordance with the Company's investment strategy.
- 13.7 The Company has not, nor has it had since its incorporation, any employees and does not own any premises.
- 13.8 No application is being made for the Ordinary Shares or the Warrants to be listed, or dealt in, on any stock exchange or investment exchange other than the London Stock Exchange.
- 13.9 Sloane Robinson is a promoter of the Company and will receive remuneration under the Management Agreement summarised in paragraph 8 above.

14. Documents for Inspection

Copies of the following documents may be inspected at the offices of Stephenson Harwood at One, St Paul's Churchyard, London EC4M 8SH during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) until 15 August 2001:

- 14.1 the memorandum and articles of association of the Company;
- 14.2 the material contracts referred to in paragraph 12 above;
- 14.3 the Scheme Circular; and
- 14.4 this document.

12 July 2001

PART 6

Definitions

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

“Act”	the Companies Act 1985 (as amended);
“Admission”	the date upon which the Shares and Warrants issued pursuant to the Placing and Offer, and/or where the context permits the Shares and Warrants issued pursuant to the Scheme, are admitted to the Official List;
“Application Form”	the application form attached to this document for use in the Offer;
“Cazenove”	Cazenove & Co. Ltd;
“Company”	SR Europe Investment Trust plc;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 1995 (SI 1995 No.95/3272)), for the purpose of paperless settlement in respect of which CRESTCo is the Operator (as defined in the aforementioned Regulations);
“CRESTCo”	CRESTCo Limited;
“Computershare”	Computershare Investor Services PLC, the Registrars and Receiving Agent of the Company;
“Board” or “Directors”	the directors of the Company from time to time;
“ICTA”	Income and Corporation Taxes Act 1988;
“IMRO”	Investment Management Regulatory Organisation Limited;
“Initial Net Assets”	the value of the initial assets on the first day of dealings of all of the Shares issued pursuant to the Issue or, for the assets acquired from S.R. Pan-European, on the calculation date for the Scheme, less any current liabilities and the Issue expenses;
“ISA”	Individual Savings Account for the purposes of regulations referred to in Section 333 ICTA;
“Issue”	the Placing, the Offer and the Scheme;
“Issue Price”	100p per Ordinary Share;
“Liquidators”	the persons appointed to act as liquidators of S.R. Pan-European in relation to the Scheme;
“Liquidation Fund”	the fund to be established by the Liquidators under the Scheme to meet the outstanding liabilities of S.R. Pan-European;
“London Stock Exchange”	London Stock Exchange plc;
“Manager” or “Sloane Robinson”	Sloane Robinson Investment Management Limited, which is regulated by the Investment Management Regulatory Organisation Limited;
“Net Asset Value”	the net asset value of the Company, as determined in accordance with the Articles;
“Offer”	the Offer for Subscription to the public of Ordinary Shares and Warrants described in this document;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares”	ordinary shares of 10p each in the capital of the Company issued and to be issued pursuant to the Placing and Offer and the Scheme;

“Ordinary Shareholders”	holders of Ordinary Shares;
“Overseas Person”	a person who is a citizen of, or a resident in, a jurisdiction outside the United Kingdom;
“PEP”	Personal Equity Plan;
“Placing”	the placing of Ordinary Shares and Warrants as described in this document;
“Prohibited Territories”	United States of America, Canada, Japan, the Republic of Ireland, South Africa and Australia;
“Receiving Agent” or “Registrar”	Computershare Investor Services PLC;
“Scheme Circular”	the circular to S.R. Pan-European Shareholders in relation to the Scheme, dated 12 July 2001;
“Scheme of Reconstruction” or “Scheme”	the proposed scheme of reconstruction of S.R. Pan-European under section 110 of the Insolvency Act 1986 and S.R. Pan-European’s articles of association (as amended);
“Shareholders”	holders of Ordinary Shares in the Company;
“S.R. Pan-European”	S.R. Pan-European Investment Trust plc;
“Transfer Agreement”	the agreement for, inter alia, the transfer of assets from S.R. Pan-European to the Company pursuant to the Scheme;
“UK Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986;
“VAT”	value added tax;
“Warrants”	the warrants to subscribe for Ordinary Shares in the Company and to be issued pursuant to the Placing and Offer and the Scheme;
“Warrant Underwriter”	Cazenove; and
“Warrantholders”	the holders of Warrants in the Company.

Words and expressions defined in the Act shall, unless the context requires, bear the same meanings when used in this document.

PART 7

Terms and Conditions of Application

1. The contracts created by the acceptance of applications under the Offer will be conditional upon the Placing, Offer and Warrant Underwriting Agreement summarised in paragraph 7 of Part 5 of the Prospectus becoming unconditional and not being terminated in accordance with its terms before admission of the Ordinary Shares and Warrants to the Official List becomes effective. The Placing, Offer and Warrant Underwriting Agreement summarised in paragraph 7 of Part 5 of the Prospectus is conditional, inter alia, upon the admission to the Official List of the Ordinary Shares and Warrants to be issued pursuant to the Placing and the Offer becoming effective by not later than close of business on 15 August 2001 (or such later date, not being later than close of business on 31 August 2001, as Cazenove and the Company may agree).
2. All cheques and bankers' drafts will be presented for payment on or after 12 July 2001 by Computershare and Computershare may retain certificates representing Ordinary Shares and Warrants and surplus application moneys pending clearance of successful applicants' cheques and in order to ensure compliance with the Money Laundering Regulations 1993. The right is reserved, by the Company, to reject in whole or in part, or to scale down or limit, any application.

If any application is not accepted in whole, or in part only, or if any contract created by acceptance does not become unconditional, the application moneys or as the case may be, the balance thereof will be returned without interest to the first named applicant through the post at the risk of the person(s) entitled thereto. In the meantime, application moneys will be retained by Computershare in a separate account.

3. By completing and delivering an Application Form, you, as applicant (and, if you sign the Application Form on behalf of somebody else or a corporation, that person or corporation, except as referred to in paragraph (h) below):
 - (a) offer to subscribe for the number of Ordinary Shares and if applicable, Warrants specified in your Application Form (or such lesser number for which your application is accepted) at the Issue Price per Ordinary Share and Warrant and on the terms of, and subject to the conditions set out in, this document, including these Terms and Conditions of Application, and subject to the Memorandum and Articles of Association of the Company and the Terms and Conditions of the Warrants;
 - (b) agree that, in consideration of the Company agreeing that it will not prior to 15 August 2001 offer any Ordinary Shares and/or Warrants to any person other than by means of the procedures referred to in this document, or to the shareholders of S.R. Pan-European in respect of, or in exchange for, their holdings in S.R. Pan-European by some other means, your application may not be revoked until 15 August 2001 and, further, you agree that the Company may offer its Ordinary Shares and Warrants to shareholders of S.R. Pan-European by such other means and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by, Computershare of your duly completed Application Form;
 - (c) warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive certificates for the Ordinary Shares and Warrants applied for or to enjoy or receive any rights in respect of such Ordinary Shares and Warrants until you make such payment in cleared funds for Ordinary Shares and Warrants and such payment is accepted by the Company in its absolute discretion (which acceptance shall be on the basis that you indemnify it, Cazenove and Sloane Robinson against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the Company of such late payment, the Company may (without prejudice to other rights) treat the agreement to allot such Ordinary Shares and Warrants as void and may allot such Ordinary Shares and Warrants to some other person, in which case you will not be entitled to any refund or payment in respect of such Shares;
 - (d) agree that, in respect of those Ordinary Shares and Warrants for which your application has been received and is not rejected, acceptance of your application shall be constituted, at the election of the Company, either (i) by notification to the London Stock Exchange of the basis of allocation (in

which case acceptance shall be on that basis) or (ii) by notification of acceptance thereof to Computershare;

- (e) agree that any certificates and any moneys returnable to you may be retained by Computershare pending clearance of your remittance and that such moneys will not bear interest;
- (f) agree that any certificates and any moneys returnable to you may be retained by Computershare pending any verification of identity as required by the Money Laundering Regulations 1993 and that such moneys will not bear interest;
- (g) subject to paragraph (n) below, authorise Computershare to send, at your risk, a certificate in respect of the number of Ordinary Shares and Warrants for which your application is accepted and/or a crossed cheque for any moneys returnable without interest, by post to the address of the person (or the first-named person in the case of joint applicants) named as an applicant in the Application Form and to procure that your name (and the name(s) of any joint applicant(s)) is/are placed on the register of members in respect of such Ordinary Shares and Warrants;
- (h) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that person or corporation and such person or corporation will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or a bank, where this is required as stated in the Notes on How to Complete the Application Form;
- (i) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with English law and that, for the benefit of the Company and Cazenove, you irrevocably submit to the non-exclusive jurisdiction of the English courts and agree that nothing shall limit the right of the Company, Cazenove and/or the Manager to bring any action, suit or proceeding arising out of or in connection with any such applications, acceptances of applications or contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (j) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and representations concerning the Company and the Ordinary Shares and Warrants contained therein;
- (k) confirm that in making such application neither you nor any person on whose behalf you are applying are relying on any information or representation in relation to the Company and/or the Ordinary Shares and Warrants other than those contained in this document and accordingly you agree that no person responsible solely or jointly for this document or any part, thereof shall have any liability for any such other information or representation;
- (l) agree that, without prejudice to any other rights to which you may be entitled, you will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application;
- (m) agree that your Application Form is addressed to the Company and Cazenove;
- (n) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the discretion of the Company) as may be requested by or on behalf of the Company to ensure compliance with the Money Laundering Regulations 1993 (if applicable);
- (o) agree to provide the Company and Cazenove with any information which either of them may request in connection with your application and authorise the Company and Cazenove to disclose any information relating to your application as it considers appropriate;
- (p) warrant that in connection with your application you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue or transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company and

Cazenove acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your applications;

- (q) authorise Computershare and Cazenove, or any person authorised by Computershare, as your agent to do all things necessary to effect registration of any Ordinary Shares and Warrants subscribed by you into your name(s) or in the name(s) of any person in whose favour the entitlement to any such Ordinary Shares and Warrants has been transferred and authorise any representative of Computershare or Cazenove to execute any document required therefor;
 - (r) warrant that you are not under the age of 18;
 - (s) confirm that you have reviewed the restrictions contained in paragraphs 4 and 5 below and warrant as provided therein;
 - (t) agree that all documents and cheques sent by post, by or on behalf of the Company or Cazenove, will be sent at the risk of the person(s) entitled thereto under the Offer;
 - (u) agree that Cazenove is acting for the Company in connection with the Offer and for no-one else and that Cazenove will not treat you as their customer by virtue of such application being accepted or owe you any duties concerning the price of Ordinary Shares and Warrants or concerning the suitability of Ordinary Shares and Warrants for you or be responsible to you for providing the protection afforded to its customers; and
 - (v) save where you have satisfied the Company and Cazenove that an appropriate exemption applies so as to permit you to subscribe, represent and agree that you are not (i) a US Person and are not acting on behalf of a US Person, that you are not purchasing with a view to re-sale in the US or to or for the account of a US Person and that you are not an employee benefit plan as defined in section 3(3) of ERISA (whether or not subject to the provisions of Title 1 of ERISA) or an individual retirement account as defined in section 408 of the US Internal Revenue Code or (ii) a resident of Canada, Australia or Japan.
4. No person receiving a copy of this document and/or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him; nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any, or compliance with any unfulfilled, registration or other legal or regulatory requirements. It is the responsibility of any person outside the UK wishing to make an application hereunder to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
5. None of the Shares have been or will be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) or qualify under applicable United States State statutes. The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province of Canada, Australia or Japan and, accordingly, unless an exemption under the Securities Act or any other relevant legislation or regulations is applicable, none of the Shares may be offered, sold, renounced, transferred or delivered, directly or indirectly, in the United States, Canada, Australia or Japan or to any US Person. In addition, the Company has not been and will not be registered under the United States Investment Company Act of 1940, as amended, and the Manager will not be registered under the United States Investment Advisers Act of 1940, as amended. Accordingly, save as aforesaid, persons subscribing for Shares represent and warrant to the Company that they are not US Persons and that they are not subscribing for such Shares for the account of any US Person (otherwise than on a discretionary basis) and will not offer, sell, renounce, transfer or deliver, directly or indirectly, such Shares in the United States or to any US Person.

As used herein, “United States” means the United States of America (including each of the States and the District of Columbia), its territories or possessions or other areas subject to its jurisdiction and “US Person” means any person who is a US person within the meaning of Regulation S adopted under the Securities Act and “ERISA” means the Employee Retirement Income Security Act of 1974 of the United States and all regulations made thereunder. No application will be accepted if it bears an address in the United States unless an appropriate exemption is available as referred to above.

6. If you receive an Application Form, you should note that it is personal to you, cannot be assigned to a third party and does not represent a right which can be disposed of by you or claimed by you.
7. If the value of the Ordinary Shares and/or Warrants applied for by you exceeds £8,500, the verification of identity requirements of the Money Laundering Regulations 1993 will apply and verification of the identity of the allottee(s) will be required. A failure to provide the necessary evidence of identity may result in the rejection of your allotment or in delays in the despatch of a share certificate. In order to avoid this, you should ideally make payment by means of a cheque drawn by the person named in Box 3. If this is not practicable and you use a cheque drawn by a third party, building society cheque or bankers draft you should:
 - 7.1 write the name and address of the person named in Box 3 on the back of the cheque, building society cheque or banker's draft and record the date of birth of that person in Box 3;
 - 7.2 if a building society cheque or banker's draft is used, ask the building society or bank to endorse on the cheque or banker's draft the name and account number of the person whose building society or bank account is being debited; and
 - 7.3 if you are making the application as agent for one or more persons, indicate in Box 3 whether you are a UK or EC regulated person or institution (e.g. a bank or broker) and specify your status.

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

8. The total number of Ordinary Shares available under the Scheme, the Placing and Offer is 50 million and the total number of Warrants available under the Scheme, the Placing and Offer is 10 million. The basis of allocation of Ordinary Shares and Warrants will be determined by Cazenove in its absolute discretion, after consultation with the Company. In the event of over subscription, Cazenove may conduct a scaling back in its absolute discretion, after consultation with the Company. You should note that applications for Ordinary Shares and Warrants pursuant to the Offer may be scaled back before any scaling back of elections or deemed elections for Ordinary Shares and Warrants received pursuant to the Scheme. Dealings prior to the issue of certificates for Ordinary Shares and Warrants will be at the risk of applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated or at all.
9. The right is reserved to treat as valid any application not in all respects completed or delivered in accordance with the instructions accompanying the Application Form.
10. The dates and times referred to in these Terms and Conditions of Application and in the Prospectus may be altered by the Company so as to be consistent with the Placing and Offer Agreement (as the same may be altered from time to time in accordance with its terms).
11. The Company reserves the right, at its sole discretion, to accept completed Application Forms or subscription monies received after 3:00 p.m. on 6 August 2001 (in which case a public announcement will be made specifying the date by which Application Forms must be or have been received).
12. Save where the context requires otherwise, terms defined in the Prospectus bear the same meaning when used in these Terms and Conditions of Application and in the Application Form.

NOTES ON HOW TO COMPLETE THE APPLICATION FORM

All applicants should read notes 1-5 and note 7. Note 6 should be read by joint applicants.

1. APPLICATION

Fill in (in figures) the amount payable, at 100p per Ordinary Share in respect of the Ordinary Shares for which you wish to apply. Your application must be for Ordinary Shares with a minimum aggregate Issue Price of £1,000 or if greater in multiples of £1,000.

2. WARRANT & ADDITIONAL ORDINARY SHARE ELECTION

Insert the percentage(s) of your subscription for which you wish to receive Warrants and/or additional Ordinary Shares. If you do not complete Box 2 you will be deemed to have elected for Warrants in respect of the full amount of your application.

3. PERSONAL DETAILS

Fill in (in block capitals) the full name and address of the applicant.

If this application is being made jointly with other persons, please read Note 6 before completing Box 3.

4. SIGNATURE

The applicant named in Box 3 must date and sign Box 4.

The Application Form may be signed by another person on your behalf if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection. A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated.

5. CHEQUE/BANKERS' DRAFT DETAILS

Attach a cheque or bankers' draft for the exact amount shown in Box 1 to your completed Application Form. Your cheque or bankers' draft must be made payable to "The Royal Bank of Scotland plc A/c SR Europe Investment Trust plc" and crossed "A/C Payee".

Your payment must relate solely to this application. No receipt will be issued.

Your cheque or bankers' draft must be drawn in sterling on an account at a branch in the United Kingdom, the Channel Islands or the Isle of Man and must bear a United Kingdom bank sort code number in the top right hand corner.

An application may be accompanied by a cheque drawn by someone other than the applicant(s), but in such case any moneys returned will be sent by cheque crossed "A/C Payee" in favour of the first-named applicant.

Applications with a value of £8,500 or greater, which are to be settled by way of a third party payment, e.g. bankers' draft, building society cheque or a cheque drawn by someone other than the applicant, will be subject to the United Kingdom's verification of identity requirements which are contained in the Money Laundering Regulations 1993.

For UK applicants, this may involve verification of names and addresses (only) through a reputable agency. For non-UK applicants, verification of identity may be sought from your bankers or from another reputable institution or professional advisers in the applicant's country of residence.

If satisfactory evidence of identity has not been obtained within a reasonable time, and in any event by close of business on 10 August 2001, the Company will be unable to accept your application.

Certificates, cheques and other correspondence will be sent to the address in Box 3.

6. JOINT APPLICANTS

If you do wish to apply jointly, you may do so with up to three other persons. Boxes 3 and 4 must be completed by one applicant. All other persons who wish to join in the application must complete and sign Box 6.

Another person may sign on behalf of any joint applicant if that other person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection. Certificates, cheques and other correspondence will be sent to the address in Box 3.

7. INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS

Completed Application Forms should be returned, by post or by hand, to Computershare Investor Services PLC at P.O. Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ or by hand only, during normal business hours, to 7th Floor, Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR so as to be received by no later than 3:00 p.m. on 6 August 2001, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

**SR EUROPE INVESTMENT TRUST plc
APPLICATION FORM**

Important – Before completing this form, you should read the accompanying notes.

ALL APPLICANTS MUST COMPLETE BOXES 1 TO 5 (SEE NOTES 1-7 OF THE NOTES ON HOW TO COMPLETE THIS APPLICATION FORM)

If you have a query concerning completion of this Application Form please call Computershare on 0870 702 0100.

1. APPLICATION

I/We attach a cheque or bankers' draft for the amount payable of £

(minimum amount £1,000) in respect of my/our subscription for Ordinary Shares at 100p per Ordinary Share fully paid, subject to the Terms and Conditions of Application set out in the Prospectus dated 12 July 2001 and subject to the Memorandum and Articles of Association of SR Europe Investment Trust plc.

2. WARRANT & ADDITIONAL ORDINARY SHARE ELECTION

I understand that for every 5 Ordinary Shares I subscribe for I am entitled:

- (a) to receive 1 Warrant; or
- (b) to elect for one additional Ordinary Share for every 5 Warrants to which I would otherwise be entitled.

I confirm that in respect of:

- (a) per cent. of my subscription for Ordinary Shares I / we elect to receive Warrants; and
- (b) per cent. of my subscription for Ordinary Shares I / we elect to receive additional Ordinary Shares instead of Warrants.

3. PERSONAL DETAILS PLEASE USE BLOCK CAPITALS

Mr, Mrs, Miss or Title	Forename(s) (in full)
Surname:	
Address (in full):	
	Postcode

4. SIGNATURE

DATED	SIGNATURE
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5. CHEQUE/BANKERS' DRAFT DETAILS

Please attach your cheque or bankers' draft for the exact amount shown in Box 1 made payable to "The Royal Bank of Scotland plc A/C SR Europe Investment Trust plc" and crossed "A/C payee".

BOX 6 MUST ONLY BE COMPLETED BY JOINT APPLICANTS (SEE NOTE 6)

6. JOINT APPLICATIONS. PLEASE USE BLOCK CAPITALS

Mr, Mrs, Miss or Title	Mr, Mrs, Miss or Title	Mr, Mrs, Miss or Title
Forenames (in full)	Forenames (in full)	Forenames (in full)
Surname:	Surname:	Surname:
Signature	Signature	Signature

Please send the completed form by post or hand to Computershare Investor Services PLC at P.O. Box 859, The Pavilions, Bridgwater Road, Bristol BS99 1XZ or by hand only, during normal business hours, to 7th Floor Jupiter House, Triton Court, 14 Finsbury Square, London EC2A 1BR, so as to be received no later than 3:00 p.m. on 6 August 2001.



