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This Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Joint Lead Managers, nor any of their respective directors, officers, employees, agents or affiliates nor the Issuer accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Joint Lead Managers.

This Offering Circular is being distributed only to and directed only at (i) persons who are outside the United Kingdom, (ii) persons who have professional experience in matters

relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, or (iii) those persons to whom it may otherwise lawfully be distributed (all such persons together being referred to as “relevant persons”). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

OFFERING CIRCULAR DATED 23 MAY 2008



## **3i Group plc**

*(incorporated and registered in England and Wales under the Companies Acts 1948-1967  
with registered number 1142830)*

**£430,000,000**

**3.625 per cent. Convertible Bonds due 2011**

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**Issue Price 100 per cent.**

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*Joint Bookrunners and Joint Lead Managers*

**DRESDNER KLEINWORT**

**LEHMAN BROTHERS**

This Offering Circular (the "Offering Circular") comprises listing particulars prepared in compliance with the listing rules made under Section 73A of the Financial Services and Markets Act 2000 (the "FSMA") by the UK Listing Authority (the "UKLA"). Applications have been made for the £430,000,000 3.625 per cent. convertible bonds due 2011 (the "Bonds" of 3i Group plc (the "Issuer" or the "Company", and the Issuer and its Subsidiaries taken as a whole, the "Group")) to be admitted to the Official List of the UKLA and to be admitted to trading on the Professional Securities Market of the London Stock Exchange plc (the "London Stock Exchange"). This Offering Circular is to be read in conjunction with all the documents which are incorporated by reference herein (see "Presentation of Information – Documents incorporated by reference").

The Issuer accepts responsibility for all the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (which has 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.

**Investors should note that the exercise of any conversion right appertaining to a Bond will, in all circumstances, result in a cash settled redemption of the Bond, and that no such conversion right will entitle the holder of the relative Bond to receive ordinary shares of the Issuer (the "Ordinary Shares").**

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Joint Lead Managers (as defined in "Subscription and Sale") to subscribe or purchase, any of the Bonds or the Ordinary Shares. The distribution of this Offering Circular and the offering, sale and delivery of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. This Offering Circular does not constitute, and may not be used for or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a description of certain further restrictions on offers, sales and deliveries of Bonds and on distribution of this Offering Circular, see "Subscription and Sale".

No person is authorised in connection with the issue, offering or sale of the Bonds to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Joint Lead Managers. Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall, at any time, and in any circumstances, constitute a representation or create an implication that there has been no change in the affairs or condition (financial or otherwise) of the Issuer or the Group since the date hereof or that the information contained in this Offering Circular is correct as at any time subsequent to its date.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act"), and are subject to U.S. tax law requirements. The Bonds may not be offered, sold or delivered within the United States or to U.S. persons or to U.S. Residents (as defined in the Terms and Conditions of the Bonds (the "Terms and Conditions")) in connection with the offering of any Bonds. As further provided herein, it is prohibited to use any means of United States interstate commerce (including mail, telecopy and telephone) to offer, sell or deliver any Bonds after sale in connection with the offering of such Bonds. For a description of certain further restrictions on the offering and sale of Bonds and on the distribution of this document see "Subscription and Sale".

The Bonds will initially be represented by a temporary global bond (the "Temporary Global Bond"), which will be deposited with a common depository on behalf of Euroclear Bank S.A./N.V. ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream, Luxembourg") on or about 29 May 2008. Interests in the Temporary Global Bond will be exchangeable for interests in a permanent global bond (the "Global Bond"), without interest coupons, on or after a date which is expected to be 9 July 2008 upon certification as to non-U.S. beneficial ownership. The Global Bond will be exchangeable for definitive Bonds in bearer form in the denomination of £50,000 not less than 60 days following the request of the Issuer or the holder in the limited circumstances set out in the Global Bond. (See "Summary of Provisions relating to the Bonds while in Global Form")

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Trustee or the Joint Lead Managers that any recipient of this Offering Circular should purchase any of the Bonds. Each investor contemplating purchasing Bonds should make its own independent investigation of the financial condition and affairs of, and its own appraisal of the creditworthiness of, the Issuer.

The Bonds are securities which, because of their nature, are normally bought and traded by a limited number of investors who are particularly knowledgeable in investment matters. This Offering Circular has been prepared on the basis that any purchaser of Bonds is a person or entity having sufficient knowledge and experience of financial matters as to be capable of evaluating the merits and risks of the purchase. Before making any investment decision with respect to the Bonds, prospective investors should consult their own counsel, accountants or other advisers and carefully review and consider their investment decision in the light of the foregoing. An investment in the Bonds is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may result therefrom.

The Law Debenture Trust Corporation p.l.c. (the "Trustee") may rely, without liability to Bondholders or Couponholders (as defined herein), on a report, confirmation or certificate of any accountants, financial advisers or investment bank, which the Issuer procures delivery of pursuant to its obligation to do so under the Terms and Conditions, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and entitled to rely on any such report, confirmation or certificate and such report, confirmation or certificate shall be binding on the Issuer, the Trustee, the Bondholders and the Couponholders in the absence of manifest error.

In connection with this issue, each of the Joint Lead Managers and any of its affiliates may act as an investor for its own account and may take up Bonds and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or related investments and may offer or sell such securities or other investments otherwise than in connection with this issue. Accordingly, references in this document to the Bonds being issued, offered or delivered should be read as including any issue, offering or delivery of securities to the Joint Lead Managers and any of their affiliates acting in such capacity. Such persons do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In connection with the issue of the Bonds, Dresdner Bank AG London Branch (the "Stabilising Manager") (or persons acting on behalf of the Stabilising Manager) may over-

allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, and must be brought to an end after a limited period. Any stabilisation action or over-allotment must be conducted by the Stabilising Manager (or any persons acting on behalf of the Stabilising Manager) in accordance with all applicable law and rules.

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## **PRESENTATION OF INFORMATION**

### **Presentation of financial information**

Unless otherwise stated, all financial information relating to the Issuer contained in this Offering Circular has been prepared in accordance with International Financial Reporting Standards (“IFRS”).

### **Documents incorporated by reference**

This Offering Circular should be read and construed in conjunction with the Issuer’s audited and consolidated annual financial statements under IFRS for the year ended 31 March 2007, together with the audit report thereon (the “2007 Financial Statements and Audit Report”) and the Issuer’s audited and consolidated annual financial statements under IFRS for the year ended 31 March 2008, together with the audit report thereon (the “2008 Financial Statements and Audit Report”) and pages 38 to 43 (inclusive) from the Annual Report for the financial year ended 2008 which have been incorporated by reference in the 2008 Financial Statements and Audit Report (together, the “2008 Annual Report Extract”), which have all been previously published and which have been filed with the Financial Services Authority (the “FSA”). Such documents shall be incorporated in, and form part of this Offering Circular, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular may be obtained (without charge) from the registered office of the Issuer. The 2007 Financial Statements and Audit Report (contained in the Issuer’s Annual Report for the financial year ended 31 March 2007) may also be obtained from the Issuer’s website at [www.3igroup.com](http://www.3igroup.com). The 2008 Financial Statements and Audit Report will be available on the Issuer’s website from 3 June 2008.

### **Currencies**

All references in this document to “pounds sterling”, “sterling”, “£” and “pence” are to the lawful currency of the United Kingdom. All references to “€” are to the lawful currency introduced on 1 January 1999 at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Communities, as amended from time to time.

Unless otherwise indicated, the financial information contained in this document has been expressed in pounds sterling.

### **Forward-looking statements**

Statements contained in this Offering Circular that are not historical facts are forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors and are subject to change at any time. In the event such risks, uncertainties or factors materialise, the actual results, performance or achievements of the Group may be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among other things, general economic and business conditions, competition, changes in government regulation, currency fluctuations, the Group’s ability to realise its



investments, changes in business strategy or development, political and economic uncertainty and other risks described in “Risk Factors”. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Offering Circular will, in fact, occur.

These forward-looking statements speak only as at the date of this Offering Circular. The Issuer will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Offering Circular except as required by law or by any appropriate regulatory authority.

## OVERVIEW OF THE OFFERING

*The following overview refers to certain provisions of the Terms and Conditions of the Bonds and the Trust Deed and is qualified in its entirety by the detailed information appearing elsewhere in this Offering Circular. Terms which are defined in "Terms and Conditions of the Bonds" have the same meaning when used in this overview.*

<b>Issuer</b>	3i Group plc
<b>Bonds</b>	£430,000,000 3.625 per cent. Convertible Bonds due 2011.
<b>The Offering</b>	The Bonds are being offered by the Joint Lead Managers outside the United States to non-U.S. persons in accordance with Regulation S under the Securities Act.
<b>Closing Date</b>	The Bonds will be issued on 29 May 2008 (the "Closing Date").
<b>Issue Price</b>	100 per cent. of the principal amount of the Bonds.
<b>Final Maturity Date</b>	29 May 2011 (the "Final Maturity Date").
<b>Final Redemption</b>	Unless previously purchased and cancelled, redeemed or converted pursuant to the Conversion Rights set out in the Terms and Conditions, the Bonds will be redeemed on the Final Maturity Date at their principal amount.
<b>Redemption at the option of the Issuer</b>	On giving not less than 30 nor more than 90 days' notice (an "Optional Redemption Notice"), the Issuer may redeem all, but not some only, of the Bonds for the time being outstanding at their principal amount, together with interest accrued (if any) to the date fixed for redemption as specified in the Optional Redemption Notice served by the Issuer, if at any time prior to the date of the relevant Optional Redemption Notice, 85 per cent. or more in principal amount of the Bonds originally issued shall have been previously purchased and cancelled or converted pursuant to the Conversion Rights set out in the Terms and Conditions. See "Terms and Conditions of the Bonds — Redemption at the Option of the Issuer".
<b>Redemption at the option of the Bondholders</b>	Unless the Bonds have been previously redeemed, repurchased and cancelled or converted pursuant to the Conversion Rights set out in the Terms and Conditions, each Bondholder shall have the right, at such Bondholder's option, following the occurrence of a Relevant Event to require the Issuer to redeem such Bondholder's Bonds at their principal amount together with accrued and unpaid interest.
<b>Interest</b>	The Bonds will bear interest from the Closing Date at the rate of 3.625 per cent. per annum payable semi-annually in equal amounts in arrear on 29 May and 29

November in each year, commencing on 29 November 2008.

**Form and Denomination**

The Bonds will be in bearer form in the denomination of £50,000 with Coupons attached. The Bonds will initially be represented by a Temporary Global Bond which will be deposited with a common depository on behalf of the Euroclear and Clearstream, Luxembourg systems.

Interests in the Temporary Global Bond will be exchangeable for interests in the Global Bond on or after a date which is expected to be 9 July 2008 upon certification as to non-U.S. beneficial ownership.

The Global Bond will be exchangeable in whole, but not in part, in certain limited circumstances described therein, for definitive Bonds in bearer form with Coupons, serially numbered, in denominations of £50,000 each.

**Status of the Bonds**

The Bonds constitute direct unsecured obligations of the Issuer ranking *pari passu* and rateably without any preference among themselves with all other existing and future unsecured and unsubordinated indebtedness of the Issuer (see “Terms and Conditions of the Bonds — Status”).

**Yield**

3.625 per cent. per annum payable semi-annually. The yield is calculated on the Closing Date on the basis of the Issue Price. It is not an indication of future yield.

**Negative Pledge**

So long as any Bond remains outstanding (as defined in the Trust Deed) and unless provision is made therefore to the satisfaction of the Trustee or the Bondholders as described in Condition 3, the Issuer shall not, and shall procure that no Subsidiary shall, create or permit to subsist any mortgage, lien, pledge or other charge upon any part of their respective undertakings or assets, present or future (including uncalled capital), as security for any Obligation and the Issuer shall not permit any Material Subsidiary to give any guarantee of or indemnity in respect of any Obligation.

“Obligation” means (a) any present or future indebtedness of the Issuer or a Subsidiary having a stated maturity of not less than one year and represented by bonds, notes, debentures, debenture stock, loan stock or other securities which for the time being are, or are intended to be, dealt in a stock exchange or other securities market; and (b) any guarantee in respect of any such indebtedness as is referred to in (a).

See “Terms and Conditions of the Bonds – Negative Pledge”.

<b>Cross Acceleration</b>	The Bonds will contain a cross acceleration provision, subject to a minimum threshold, as described in “Terms and Conditions of the Bonds — Events of Default”.
<b>Other Events of Default</b>	For a description of certain other events that will permit the Bonds to become immediately due and payable at their principal amount, together with accrued interest, see “Terms and Conditions of the Bonds – Events of Default”.
<b>Conversion Right</b>	Each Bond shall entitle the holder (such right a “Conversion Right”) to redeem such Bond at a price equal to the Cash Redemption Amount. The exercise of any Conversion Right will, in all circumstances, result in a cash settled redemption of the Bond and, in particular, no such Conversion Right will entitle the holder of the relative Bond to receive ordinary shares of the Issuer. See “Terms and Conditions of the Bonds — Conversion”.
<b>Conversion Period</b>	Conversion Rights may be exercised at any time during the period from 9 July 2008 to the close of business on (i) the date falling six London business days prior to the Final Maturity Date (both days inclusive) or (ii) if the Bonds shall have been called for redemption prior to the Final Maturity Date, the date falling six London business days prior to the date fixed for redemption. See “Terms and Conditions of the Bonds – Conversion”.
<b>Conversion Price</b>	<p>The initial Conversion Price is £11.3181 per Ordinary Share.</p> <p>The Conversion Price is subject to adjustment as provided for in “Terms and Conditions of the Bonds — Conversion”, including in the case of a Capital Distribution and where the Issuer has paid an Extraordinary Dividend. In the event of a change of control constituting a Relevant Event, the Conversion Price will be adjusted for a specified period as described in “Terms and Conditions of the Bonds — Conversion — Adjustment of Conversion Price”.</p>
<b>Taxation</b>	Payments in respect of Bonds will be made subject to any withholding or deduction for any taxation as is required by law. The Issuer will not be required to pay any additional or further amounts to Bondholders in respect of such withholding or deduction. See “Terms and Conditions of the Bonds — Taxation”.
<b>Lock up</b>	The Issuer has, subject to certain exceptions, agreed not to issue Ordinary Shares or certain related securities for a limited period after the Closing Date. See “Subscription and Sale”.

<b>Governing Law</b>	The Bonds, the Coupons and the Trust Deed constituting the Bonds will be governed by English law.
<b>Trustee</b>	The Law Debenture Trust Corporation p.l.c.
<b>Principal Paying and Conversion Agent</b>	Citibank, N.A., London Branch.
<b>Listing and Trading</b>	The Issuer has applied for the Bonds to be admitted to the Official List of the UKLA and application has been made to the London Stock Exchange for the Bonds to be admitted to trading on the Professional Securities Market of the London Stock Exchange.
<b>Clearing:</b>	The Bonds have each been accepted for clearing by Euroclear and Clearstream, Luxembourg. The International Securities Identification Number for the Bonds is XS0364710425.
<b>Use of Proceeds</b>	The net cash proceeds of the issue of the Bonds are expected to amount to approximately £421,875,000 and will be used to refinance the Issuer's existing debt and for the general corporate purposes of the Group.

## RISK FACTORS

*Prospective investors should consider carefully the risks set forth below and the other information contained in this Offering Circular prior to making any investment decision with respect to the Bonds. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial condition or prospects of the Issuer, which, in turn, could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Bonds. In addition, each of the risks highlighted below could adversely affect the trading price of the Bonds or the Ordinary Shares or the rights of investors under the Bonds and, as a result, investors could lose some or all of their investment.*

*Prospective investors should note that the risks described below are not the only risks the Issuer faces. The Issuer has described only those risks relating to its operations that it considers to be material. There may be additional risks that it currently considers not to be material or of which it is not currently aware, and any of these risks could have the effects set forth above.*

*Prospective investors should read the entire Offering Circular, together with the documents incorporated by reference herein. Words and expressions defined in the "Terms and Conditions of the Bonds" below or elsewhere in this Offering Circular have the same meanings in this section.*

*Investing in the Bonds involves certain risks. Prospective investors should consider, among other things, the following:*

### **Risks Relating to the Issuer**

***External risks arising from political, legal, regulatory and economic factors, changes in policy or the competitive environment, or other external factors, could have a negative effect on the Group's operating environment.***

#### *New and emerging markets*

Part of the Group's investment strategy is to invest in new and emerging markets in which the legal and regulatory frameworks and capital markets may be less developed than in the other main geographical markets in which the Group operates. Unexpected changes in such emerging markets could have a negative impact on the value of existing investments or on the planned levels of investment, which could adversely affect investment returns.

#### *Government policy and regulation*

The Issuer is an investment company as defined by section 833 of the Companies Act 2006 and carries on business as an investment trust. HM Revenue & Customs has approved the Issuer as an investment trust under section 842 of the Income and Corporate Taxes Act 1988 for the accounting period ended 31 March 2007. The Issuer is (under current law) exempt from UK corporation tax on chargeable gains for each accounting period in which it is approved by HM Revenue & Customs as an investment trust under that section. Continuation of this approval is subject to the Issuer directing its affairs in line with the relevant requirements of the legislation. A change in government policy and/or related tax treatment of investment trusts or failure to

satisfy the conditions of section 842 could impact the Group's business, results of operations or financial position.

Similar risks exist in certain other jurisdictions in which the Group operates. Changes in local taxation legislation or practice could affect the expected tax position of the Group and have a negative impact on its operations.

3i Investments plc, 3i Europe plc and 3i Nordic plc, all wholly owned subsidiaries of the Issuer, are authorised persons under FSMA and are authorised and regulated by the FSA in the United Kingdom. Where applicable, certain of the Group's businesses outside the United Kingdom are regulated locally by relevant authorities. Changes or extensions to the regulatory frameworks under which the Group operates or a breach of applicable regulations may adversely affect the Group's compliance costs, its business, results of operations or financial position.

#### *Market and macroeconomic conditions*

The performance of the Group and its underlying investment portfolio is sensitive to changes in a number of key economic parameters. A significant slow-down in economic growth and/or changes in interest rates or foreign exchange rates in one or more of the key markets in which the Group operates could have a negative impact on the performance of the Group or the valuation of its investment portfolio. Changes in commodity or energy prices could have a similar impact.

The Group seeks to reduce structural currency exposures by matching assets denominated in foreign currencies with similarly denominated financial liabilities including, where applicable, by the use of derivative instruments. Unexpected movements in the currency markets could impact the Group if assets and liabilities are unmatched and could also affect the performance of investment portfolio companies and, therefore, their valuation.

The Group is dependent upon the general health of capital markets and the economy to provide favourable exit conditions for the realisation of investments. For example, a deterioration in market conditions for initial public offerings, a decline in mergers and acquisitions activity or in the number of active trade or other private equity buyers, or lack of availability of well-priced debt finance, could have a negative impact on the Group's ability to realise investments, or on the levels of profitability achieved. This could, in turn, impact the ability of the Group to fund new investment opportunities from its own balance sheet.

The Group operates in a competitive market. An increase in the number of market participants, the availability of funds within the market or the pricing of assets, or restrictions upon the ability to access deals on a proprietary basis could have a significant adverse effect on the Group's competitive position in the market and on the sustainability of returns.

***The Group's strategy and business model are based on an analysis of and assumptions regarding its operating environment. This includes market evaluations and the identification and assessment of external and internal risk factors. Significant unexpected changes or outcomes, beyond those factored into the Group's strategy and business model, may occur which could have an adverse impact on the Group's performance or financial position.***

### *Investment decisions*

The ability of the Group to source and execute good quality investments in a competitive market is dependent upon a range of factors, in addition to the general market and macroeconomic conditions described earlier. The most important of these include: (i) the ability to attract and develop people with the requisite investment experience and cultural fit; (ii) organisation of teams whose structure is adapted to their relevant markets and whose compensation is results-oriented; and (iii) effective application of collective knowledge and relationships to each investment opportunity. Failure to address or manage one or more of these factors could adversely affect the Group's business, results of operation or financial position.

### *Investment performance*

The performance of the Group's portfolio investments is dependent upon a range of factors. These include, but are not limited to: (i) the quality of the initial investment decision described above; (ii) the ability of the portfolio investment company to execute successfully its business strategy; and (iii) actual outcomes against the key assumptions underlying the portfolio company's financial projections. The outcome of one or more of these factors could have a negative impact on the valuation of a portfolio company and upon the Group's ability to make a profitable realisation of the investments within the desired timeframe.

### *Investment concentration*

The Group invests across a range of economic sectors and geographies. Over-exposure to a particular sector or geography could increase the negative impact of adverse changes in macroeconomic or market conditions on the Group. An increase in the average size of investments over time could also increase the exposure of the Group to the performance of a small number of larger investments, albeit in different sectors and/or geographies.

### *Investment valuations and realisation opportunities*

The valuation of the Group's quoted and unquoted portfolios and opportunities for realisation depend to some extent on stock market conditions and the buoyancy of the wider mergers and acquisitions market. A deterioration in market or macroeconomic conditions, as described earlier, could adversely impact the valuation of the portfolio assets and the ability to realise those investments profitably within the desired timeframe. In addition to this, the Group's ability to realise certain assets in whole or in part may be subject to contractual restrictions such as shareholder lock-up arrangements.

***Risks relating to: (i) uncertainty in financial market prices and rates; (ii) an inability for the Group to raise adequate funds to meet investment needs or meet obligations as they fall due; or (iii) inappropriate capital structure could have a negative effect on the Group's performance or financial position.***

### *Credit risk*

The Group's financial assets are predominantly unsecured investments in unquoted companies, in which the Group considers the maximum credit risk to be the carrying value of the asset. Credit risk could increase where portfolio investment companies underperform or where there is over-exposure to a particular sector or geography or small number of larger investments. Large



or unexpected changes in interest rates could increase credit risk, in cases where portfolio investment companies are highly leveraged.

#### *Liquidity risk*

The Group invests from its own balance sheet using cash generated from its investing activities. The Group also has available to it undrawn committed facilities. In addition to funding from its own balance sheet, the Group periodically raises third party funds. The Group uses these funds to co-invest in certain transactions. Unexpected changes in the levels of investment activities and/or realisations or in interest rates could adversely impact the Group's ability to exploit opportunities to make new investments of the frequency and magnitude it has to date. A significant shortfall in third party funds would require possible alternative financing structures to enable the Group to continue to invest in accordance with its plans. Such structures could entail higher costs and/or operational complexity and could impact the Group's ability to take advantage of future investment opportunities.

#### *Price risk*

The valuation of both quoted and unquoted investments depends upon a combination of market factors and the performance of the underlying asset. The Group does not generally hedge the market risk inherent in the portfolio but manages asset performance risk on an asset specific basis. Adverse market change, for example in interest rates, or a deterioration in the performance of portfolio assets could have a negative impact on the valuation of the Group's investment portfolio.

#### *Foreign exchange risk*

The Group reports in sterling and the Company pays dividends from its sterling profits. The Group seeks to reduce structural currency exposures by matching assets denominated in foreign currency with borrowings in the same currency. The Group makes some use of derivative financial instruments to effect foreign exchange management. Failure to manage structural currency exposures, for example through mismatching of assets or inappropriate use of derivative financial instruments, could have an adverse impact on the Group's performance.

#### *Interest rate risk*

The Group has a mixture of fixed and floating rate assets. The assets are funded with a mixture of shareholders' funds and borrowings according to the risk characteristics of the assets. The Group seeks to minimise interest rate exposure by matching the type and maturity of the borrowings to those of the corresponding assets. Some derivative financial instruments are used to achieve this objective. A failure to match borrowings by type or maturity or the failure or inappropriate use of derivative financial instruments for the purpose of hedging could have an adverse impact on the Group's business, results of operations or financial condition.

***Operational risks can arise from inadequate or failed processes, people and systems or from external factors affecting these, including operational events such as human resources risks, legal and regulatory risks, information technology systems problems, business disruption and shortcomings in internal controls.***

### *People*

The ability to recruit, develop, train and retain capable people is of fundamental importance to achieving the Group's strategy. The Group operates in a competitive industry and aims to remunerate staff in line with market practice and to provide development opportunities. Failure to put in place appropriate reward and remuneration systems or the unexpected loss of key investors or senior management could have an adverse impact on the performance of the Group.

### *Business systems, processes and procedures*

The Group's information technology and treasury systems, as well as its business processes and procedures, may not perform as expected, which may adversely affect operational, and potentially business, performance. This includes the ability to recover from unanticipated disruption to the business.

### *Legal and regulatory requirements*

The Group operates a complex structure to conform with applicable legal and regulatory requirements across multiple jurisdictions. This requires appropriate internal processes and procedures to be developed and followed, supported by professional teams with appropriate skills. Failure to follow required procedures could result in a regulatory breach or have legal consequences for the Group. This may adversely affect the Group's compliance costs, its business, results of operations or financial condition.

Notwithstanding anything in these risk factors, these risk factors should not be taken as implying that either the Issuer or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List or that 3i Investments plc, as a supervised firm regulated by the FSA, will be unable to comply with the supervisory regime applicable to it.

## **Risks Relating to the Bonds**

### ***Bonds may not be a suitable investment for all investors***

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of financial markets in which they participate; and

- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

***There is no active trading market for the Bonds***

The Bonds are new securities which may not be widely distributed and for which there is currently no active trading market. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, the Group's results of operations and the market price of the Ordinary Shares. Although applications have been made for the Bonds to be admitted to the Official List of the UKLA and to trading on the Professional Securities Market of the London Stock Exchange, there is no assurance that such applications will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

***The Bonds may be redeemed prior to maturity***

The Terms and Conditions provide that the Bonds are redeemable at the Issuer's option in certain limited circumstances and accordingly the Issuer may choose to redeem the outstanding Bonds at times when prevailing interest rates may be relatively low. In such circumstances, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Bonds.

***There is a limited period during which the Bondholders may convert their Bonds***

Conversion Rights under the Terms and Conditions may only be exercised from 9 July 2008 until the earlier of (a) the close of business on the date falling six London business days prior to the Final Maturity Date; or (b) if the Bonds shall have been called for redemption by the Issuer before the Final Maturity Date, the close of business on the date falling six London business days prior to the date fixed for redemption.

***Bondholders will bear the risk of fluctuation in the price of the Ordinary Shares***

The market price of the Bonds is expected to be affected by fluctuations in the market price of the Ordinary Shares and it is impossible to predict whether the price of the Ordinary Shares will rise or fall. Trading prices of the Ordinary Shares will be influenced by, among other things, the financial position of the Issuer, results of operations and political, economic, financial and other factors. Any decline in the market price of the Ordinary Shares may have an adverse effect on the market price of the Bonds.

The future issues or sales of Ordinary Shares by the Issuer or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds or the Ordinary Shares. The Issuer has agreed to certain restrictions on its ability to issue Ordinary Shares or related securities during the period commencing on 15 May 2008 and ending 90 days after the Closing Date. Except for such restrictions, there is no restriction on the Issuer's ability to issue Ordinary Shares, and there can be no assurance that the Issuer will not issue Ordinary Shares.

***Because the Global Bond is held by, or on behalf of, Euroclear and Clearstream, Luxembourg, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

The Bonds will be represented by the Global Bond. The Global Bond will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Bond, investors will not be entitled to receive Bonds in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Bond. While the Bonds are represented by the Global Bond, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bonds.

#### ***Modification, waivers and substitution***

The Terms and Conditions and the Trust Deed contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.

The Terms and Conditions also provide that the Trustee may, without the consent of Bondholders or Couponholders agree to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Paying and Conversion Agency Agreement (the "Agency Agreement"), any agreement supplemental to the Agency Agreement, the Bonds or the Coupons which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest or proven (to the satisfaction of the Trustee) error or to comply with mandatory provisions of law; and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or the Coupons (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or the Coupons which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders or Couponholders. The Trustee may, without the consent of the Bondholders or the Couponholders, agree to the substitution of certain other entities of the Issuer or Newco in place of the Issuer as the principal debtor under the Trust Deed and the Bonds subject to the Bonds being unconditionally and irrevocably guaranteed by the Issuer to the satisfaction of the Trustee.

The implementation of a Newco Scheme in the circumstances described in the Terms and Conditions may be effected without the consent of the Bondholders or Couponholders.

## TERMS AND CONDITIONS OF THE BONDS

*The following, subject to completion and amendment, and save for the paragraphs in italics, is the text of the Terms and Conditions of the Bonds which will be incorporated by reference into the Global Bond and endorsed on the Bonds in definitive form (if issued).*

The issue of the £430,000,000 3.625 per cent. Convertible Bonds due 2011 (the “Bonds” which expression shall, unless otherwise indicated, include any further bonds issued pursuant to Condition 18 and consolidated and forming a single series therewith) was (save in respect of any such further bonds) authorised by a resolution of the Board of Directors of 3i Group plc (the “Issuer”) passed on 6 May 2008 and a resolution of a duly authorised committee of the Board of Directors of the Issuer passed on 14 May 2008. The Bonds are constituted by a trust deed dated 29 May 2008 (the “Trust Deed”) between the Issuer and The Law Debenture Trust Corporation p.l.c. (the “Trustee”, which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. The statements set out in these Terms and Conditions (the “Conditions”) are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the forms of the Bonds, in both global and definitive form, and the interest coupons relating to them (the “Coupons”). The Bondholders and Couponholders (each as defined below) are entitled to the benefit of, and are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying and Conversion Agency Agreement dated 29 May 2008 (the “Agency Agreement”) relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch (the “Principal Paying and Conversion Agent”, which expression shall include any successor as principal paying and conversion agent under the Agency Agreement), the paying and conversion agents for the time being (such persons, together with the Principal Paying and Conversion Agent, being referred to below as the “Paying and Conversion Agents”, which expression shall include their successors as Paying and Conversion Agents under the Agency Agreement) and any other paying agent (each a “Paying Agent”) appointed under these Conditions. Copies of each of the Trust Deed and the Agency Agreement are available for inspection at the registered office for the time being of the Trustee (being at the date of issue hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX), and at the specified offices of the Paying and Conversion Agents.

*Investors should note that the exercise of any Conversion Right will, in all circumstances, result in a cash settled redemption of the Bond and, in particular, that no such Conversion Right will entitle the holder of the relative Bond to receive Ordinary Shares.*

Capitalised terms used but not defined in these Conditions shall have the meanings attributed to them in the Trust Deed unless the context otherwise requires or unless otherwise stated.

### **1. Form, Denomination and Title**

#### **(a) Form and Denomination**

The Bonds are in bearer form in the denomination of £50,000 with Coupons attached.

(b) Title

Title to the Bonds and the Coupons will pass by delivery. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer, the Trustee, and the Paying and Conversion Agents shall be entitled to deem and treat the bearer of any Bond or Coupon as the absolute owner thereof (whether or not such Bond or Coupon shall be overdue and notwithstanding any notice to the contrary or any notation of ownership or writing thereon or notice of any previous loss or theft thereof) for the purpose of making payment thereon and for all other purposes.

**2. Status**

The Bonds and Coupons constitute (subject to Condition 3) direct, unsecured obligations of the Issuer ranking *pari passu* and rateably, without any preference among themselves, with all other existing and future unsecured and unsubordinated indebtedness of the Issuer but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

**3. Negative Pledge**

So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer shall not and shall procure that no Subsidiary shall create or permit to subsist any mortgage, lien, pledge or other charge ("Security") upon any part of their respective undertakings or assets, present or future, (including uncalled capital) as security for any Obligation and the Issuer shall not permit any Material Subsidiary to give any guarantee of or indemnity in respect of any Obligation without in each case at the same time according to the Bondholders a *pari passu* and rateable interest in the same security and/or guarantee and/or indemnity or such other security and/or guarantee and/or an indemnity or other arrangement (whether or not including the granting of security and/or a guarantee and/or an indemnity) as the Trustee shall in its absolute discretion deem not materially less beneficial to the Bondholders or as shall have been approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders provided that any Subsidiary acquired after 15 September 1995 may have outstanding Security with respect to an Obligation of such Subsidiary (without the obligation to secure the Bonds as aforesaid) so long as:

- (i) either such Security was outstanding on the date on which such Subsidiary became a Subsidiary and was not created in contemplation of such Subsidiary becoming a Subsidiary or such Security was created in substitution for or to replace either such outstanding Security or any such substituted or replacement Security; and
- (ii) the principal amount of the Obligation secured is not increased after the date such Subsidiary became a Subsidiary.

For the purpose of this Condition, "Obligation" means:

- (A) any present or future indebtedness of the Issuer or a Subsidiary having a stated maturity of not less than one year and represented by bonds, notes, debentures, debenture stock, loan stock or other securities which for the time being are, or are intended to be, dealt in on a stock exchange or other securities market; and

(B) any guarantee in respect of any such indebtedness as is referred to in (A) above.

#### 4. Definitions

In these Conditions:

“Additional Cash Redemption Amount” has the meaning provided in Condition 6(c).

“Auditors” means the auditors for the time being of the Issuer or, if they are unable or unwilling promptly to carry out any action requested of them hereunder or under the Trust Deed, such other firm of accountants as may be nominated or approved in writing by the Trustee.

“Bondholder” and “holder” mean the holder of any Bond.

“business day” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business.

“Capital Distribution” has the meaning provided in Condition 6(b)(iii).

“Cash Dividend” has the meaning provided in Condition 6(b)(iii)(B).

“Cash Redemption Amount” means, in respect of any Bond:

- (i) save in the case of the exercise of Conversion Rights following the occurrence of a Squeeze Out Event, an amount calculated in accordance with the following formula:

$$CRA = \sum_{n=1}^N \frac{1}{N} \times S \times P_n$$

where:

CRA = the Cash Redemption Amount;

S = the number of Ordinary Shares determined by dividing the principal amount of a Bond by the Conversion Price in effect on the relevant Conversion Date (and, if necessary, rounding the resulting number to five decimal places, with 0.000005 being rounded up);

P<sub>n</sub> = the Volume Weighted Average Price of an Ordinary Share on the nth dealing day of the Cash Redemption Calculation Period; and

N = the number of dealing days in the Cash Redemption Calculation Period,

provided that, if after a period of 40 London business days commencing on the relevant Conversion Date, it has not been possible to calculate the Cash Redemption Amount as provided above as a result of there not being sufficient dealing days in such period, then the Cash Redemption Amount shall be such amount as shall be determined in good faith by an Independent Financial Adviser based on its determination as to the Fair Market Value of the Ordinary Shares during such period; and

- (ii) in the case of the exercise of Conversion Rights following the occurrence of a Squeeze Out Event, an amount equal to the Squeeze Out Amount.

“Cash Redemption Calculation Period” means the period of 20 consecutive dealing days commencing on the relevant Conversion Date, except that where the Conversion Date in respect of the exercise of Conversion Rights in respect of the relevant Bond falls after the date on which an Optional Redemption Notice shall have been given, it means the period of 5 consecutive dealing days commencing on the relevant Conversion Date (or, in any such case, commencing on the next dealing day if the relevant Conversion Date is not a dealing day).

“Closing Date” means 29 May 2008.

“Conversion Date” has the meaning provided in Condition 6(i).

“Conversion Notice” has the meaning provided in Condition 6(i).

“Conversion Period” has the meaning provided in Condition 6(a).

“Conversion Price” has the meaning provided in Condition 6(a).

“Conversion Right” has the meaning provided in Condition 6(a).

“Couponholder” means the holder of any Coupon.

“Current Market Price” means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding such date; provided that if at any time during the said five dealing day period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement) (excluding in any case any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom); or
- (b) if the Ordinary Shares do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend (or entitlement) (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom),



and provided further that if on each of the said five dealing days the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of the first public announcement of such Dividend or entitlement (excluding any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom),

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five dealing days (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five dealing day period shall be used (subject to a minimum of two such closing prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period the Current Market Price shall be determined in good faith by an Independent Financial Adviser,

and for the purposes of this definition, the provisos in paragraphs (ii) and (iii) of the definition of Volume Weighted Average Price shall not apply.

“dealing day” means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Ordinary Shares, Securities or Spin-Off Securities (as the case may be) may be dealt in (other than a day on which a Market Disruption Event shall have occurred).

“Dividend” means any dividend or distribution to Shareholders (including a Spin-Off), whether of cash, assets or other property, and whenever paid or made and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of ordinary shares or other securities credited as fully or partly paid up by way of capitalisation of profits or reserves) provided that:

- (a) where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a Cash Dividend of the greater of (i) such cash amount and (ii) the Current Market Price of such Ordinary Shares or, as the case may be, Fair Market Value of such other property or assets (as at the date of the first public announcement of such Dividend or capitalisation (as the case may be) or if later, the date on which the number of Ordinary Shares (or amount of property or assets, as the case may be) which may be issued or transferred and delivered is determined);
- (b) any issue of Ordinary Shares falling within Condition 6(b)(ii) shall be disregarded;
- (c) a purchase or redemption or buy back of Ordinary Shares by the Issuer or any of its Subsidiaries shall not constitute a Dividend unless, the weighted average price paid per

Ordinary Share (before expenses) on any one day (a "Specified Share Day") in respect of such purchases or redemptions or buy backs (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the closing prices of the Ordinary Shares on the Relevant Stock Exchange (as published by or derived from the Relevant Stock Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Ordinary Shares at some future date at a specified price, on the five dealing days immediately preceding the date of such announcement, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Relevant Currency to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by the Issuer or, as the case may be, any of its Subsidiaries (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back; and

- (d) if the Issuer or any of its Subsidiaries shall purchase, redeem or buy back any depositary or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Financial Adviser.

"Early Closure" means the closure on any day of the Relevant Stock Exchange prior to its scheduled weekday closing time unless such earlier closing time is announced by the Relevant Stock Exchange at least one hour prior to the actual closing time for the regular trading session on the Relevant Stock Exchange on such day.

"ex- date" means the first date on which the Ordinary Shares are traded on the Relevant Stock Exchange ex- the relevant Dividend or other entitlement.

"Exchange Disruption" means in respect of any Relevant Security, any event (other than a Trading Disruption or an Early Closure) that disrupts or impairs (in the opinion of an Independent Financial Adviser) the ability of market participants in general to effect transactions in, or to obtain market values for, such Relevant Security on the Relevant Stock Exchange.

"Exempt Newco Scheme" means a Newco Scheme where immediately after completion of the relevant Scheme of Arrangement, the ordinary shares of Newco are (1) admitted to trading on the Relevant Stock Exchange or (2) admitted to listing on such other regulated, regularly operating, recognised stock exchange or securities market as the Issuer or Newco may determine.

"Fair Market Value" means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Financial Adviser provided that (i) the Fair Market Value of a Cash Dividend shall be the amount of such Cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded in a market

of adequate liquidity (as determined by an Independent Financial Adviser), the Fair Market Value (a) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and (b) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (a) and (b) during the period of five dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Spin-Off Securities, options, warrants or other rights are publicly traded; (iv) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid) or if the fair market value of such publicly traded securities cannot be determined as provided in (iii) after a period of 15 calendar days following the relevant date, the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Financial Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall in the case of (i), be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii), any withholding or deduction required to be made on account of tax and any associated tax credit shall be disregarded.

“Final Maturity Date” means 29 May 2011.

“Independent Financial Adviser” means an independent investment bank of international repute selected and appointed by the Issuer, at its own expense, and approved in writing by the Trustee (such approval not to be unreasonably withheld or delayed).

“Interest Payment Date” has the meaning provided in Condition 5(a).

“London business day” means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in London.

“London Stock Exchange” means the London Stock Exchange plc.

“Market Disruption Event” means, in respect of the Ordinary Shares, Securities or Spin-Off Securities (“Relevant Securities”), the occurrence or existence of (i) (a) a Trading Disruption or (b) an Exchange Disruption, in each case on any relevant day and which an Independent Financial Adviser determines is material, at any time during the one hour period that ends at the close of such day, or (ii) an Early Closure.

“Material Subsidiary” means any Subsidiary in relation to which the proportion attributable to the Issuer of the net assets of such Subsidiary as shown by its most recent audited accounts is equal to at least 10 per cent. of the sum of the amount of the consolidated net assets of the Issuer and the Subsidiaries attributable to the members of the Issuer as shown by the most recent published audited consolidated accounts of the Issuer and the Subsidiaries (the

“Relevant Accounts”) and the amount of such proportion to the extent that the same is not actually consolidated in the Relevant Accounts and so that any necessary translation of currencies shall be effected on the same basis and as at the same date as are applied in drawing up the Relevant Accounts. A certificate of two directors of the Issuer that, in the Issuer’s opinion, a Subsidiary is, or is not, or was, or was not, at a specified date a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

“moneys borrowed” means (a) borrowed moneys; (b) liabilities under any debenture; (c) liabilities in respect of acceptance credit facilities (not being acceptances of trade bills in respect of the purchase of goods in the ordinary course of business); and (d) any redeemable share capital.

“Newco Scheme” means a scheme of arrangement or analogous proceeding (“Scheme of Arrangement”) which effects the interposition of a limited liability company (“Newco”) between the Shareholders of the Issuer immediately prior to the Scheme of Arrangement (the “Existing Shareholders”) and the Issuer; provided that (i) only ordinary shares of Newco are issued to Existing Shareholders; (ii) immediately after completion of the Scheme of Arrangement the only shareholders of Newco are the Existing Shareholders; (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only shareholder of the Issuer; (iv) all Subsidiaries of the Issuer immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Issuer) are Subsidiaries of the Issuer (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Issuer (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Issuer immediately prior to the Scheme of Arrangement.

“Optional Redemption Date” has the meaning provided in Condition 7(b).

“Optional Redemption Notice” has the meaning provided in Condition 7(b).

“Ordinary Shares” means ordinary registered shares in the share capital of the Issuer.

“Parity Value” means, in respect of any dealing day, the amount calculated as follows:

$$PV = N \times VWAP$$

where

$$PV = \text{the Parity Value}$$

$$N = \text{the number of Ordinary Shares determined by dividing the principal amount of a Bond by the Conversion Price in effect on the relevant dealing day (and, if necessary, rounding the resulting number to five decimal places, with 0.000005 being rounded up)}$$

$$VWAP = \text{the Volume Weighted Average Price of an Ordinary Share on such dealing day.}$$

“Prevailing Rate” means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined.

“Relevant Accounts” has the meaning provided in the definition of “Material Subsidiary”.

“Relevant Currency” means pounds sterling or, if at the relevant time or for the purposes of the relevant calculation or determination, the London Stock Exchange is not the Relevant Stock Exchange, the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

“Relevant Date” means, in respect of any Bond or Coupon, whichever is the later of (i) the date on which payment in respect of it first becomes due and (ii) if any amount of the money payable is improperly withheld or refused the date on which payment in full of the amount outstanding is made or (if earlier) the date on which notice is duly given to the Bondholders in accordance with Condition 17 that such payment will be made, provided that, upon further presentation of the Bond or Coupon being made, such payment is in fact made upon such presentation.

“Relevant Event” has the meaning provided in Condition 6(b)(x).

“Relevant Event Period” has the meaning provided in Condition 6(b)(x).

“Relevant Event Put Date” has the meaning provided in Condition 7(d).

“Relevant Event Put Exercise Notice” has the meaning provided in Condition 7(d).

“Relevant Page” means the relevant page on Bloomberg or such other information service provider that displays the relevant information.

“Relevant Stock Exchange” means the London Stock Exchange or if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or dealt in.

“Securities” includes, without limitation, ordinary shares in the capital of the Issuer or options, warrants or other rights to subscribe for or purchase ordinary shares in the capital of the Issuer.

“Shareholders” has the meaning provided in Condition 6(b)(ii).

“Spin-Off” means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders as a class (but excluding the issue and allotment of ordinary

shares by Newco to Existing Shareholders as a class), pursuant in each case to any arrangements with the Issuer or any of its Subsidiaries.

“Spin-Off Securities” means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

“Squeeze Out Amount” means, in respect of any Bond where the relevant Conversion Date falls after the occurrence of a Squeeze Out Event, an amount determined in accordance with the following formula:

$$\text{SOA} = A \times B$$

where:

SOA = the Squeeze Out Amount;

A = the number of Ordinary Shares determined by dividing the principal amount of a Bond by the Conversion Price in effect on the relevant Conversion Date (and, if necessary, rounding the resulting number to five decimal places, with 0.000005 being rounded up); and

B = the value in pounds sterling, as determined as at the relevant Conversion Date by an Independent Financial Adviser, of the offer consideration per Ordinary Share that a Shareholder would be entitled to receive or elect for pursuant to Section 979 of the Companies Act 2006 in relation to the relevant offer giving rise to the Squeeze Out Event, or if the relevant Shareholder would be entitled to a choice of consideration, that consideration determined by such Independent Financial Adviser to have the highest value.

a “Squeeze Out Event” shall occur where a Relevant Event shall have occurred and the relevant offeror shall be entitled to exercise “squeeze-out rights” pursuant to Section 979 of the Companies Act 2006.

“Subsidiary” means any company which is for the time being a subsidiary of the Issuer within the meaning of Section 736 of the Companies Act 1985 and which is consolidated with the Issuer in the Relevant Accounts.

“Trading Disruption” means, in respect of any Relevant Security, any suspension of, or limitation imposed on, trading in respect of such Relevant Securities by the Relevant Stock Exchange or otherwise, and whether by reason of movements in price exceeding limits permitted by the Relevant Stock Exchange or otherwise relating to such Relevant Security.

“UKLA” means the Financial Services Authority in its capacity as competent authority for the purposes of the Financial Services and Markets Act 2000.

“Volume Weighted Average Price” means, in respect of an Ordinary Share on any dealing day, the order book volume-weighted average price of an Ordinary Share appearing on or derived from Reuters page III.L (or any relevant successor page), provided that:

- (i)
    - (a) if on any such dealing day the order book volume-weighted average price of an Ordinary Share does not appear on or cannot be derived from Reuters page III.L (or any relevant successor page), the Volume Weighted Average Price of an Ordinary Share in respect of such dealing day shall be the Volume Weighted Average Price appearing on or derived from Bloomberg page III LN Equity VAP (or any relevant successor page);
    - (b) if on any such dealing day the order book volume-weighted average price of an Ordinary Share does not appear on or cannot be derived from Reuters page III.L (or any relevant successor page) or Bloomberg page III LN Equity VAP (or any relevant successor page), the Volume Weighted Average Price of an Ordinary Share on such dealing day shall be determined in good faith by an Independent Financial Adviser;
  - (ii) if any Dividend or other entitlement in respect of the Ordinary Shares is announced on or prior to the relevant Conversion Date in circumstances where the ex- date in respect of such Dividend or other entitlement shall be on or after the relevant Conversion Date and if on such dealing day the price determined as provided above is based on a price ex-Dividend or ex-any other entitlement, then such price shall be increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of announcement of such Dividend or other entitlement (excluding, in any case, any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom); and
  - (iii) for the purposes of the definition of Parity Value, if on any dealing day the Ordinary Shares shall have been quoted ex-Dividend or ex-any other entitlement, the Volume Weighted Average Price of an Ordinary Share on such dealing day shall be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of announcement of such entitlement or Dividend (excluding, in any case, any associated tax credit and less the tax (if any) falling to be deducted on payment thereof to a resident of the United Kingdom).

References in these Conditions to the principal amount of any Bond shall be to the face value (being £50,000) of that Bond.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, the Issuer shall instruct an Independent Financial Adviser to determine such adjustments (if any) as that Independent Financial Adviser considers appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

References in these Conditions to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UKLA and admission to trading on the EEA Regulated Market of the London Stock Exchange and references to "EEA

Regulated Market” means a market as defined by Article 4.1 (14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

References to any issue or offer or grant to Shareholders or Existing Shareholders “as a class” or “by way of rights” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

For the purposes of Conditions 6(b), (c) and (f) and Condition 11 only, (a) references to the “issue” of Ordinary Shares shall include the transfer and/or delivery of Ordinary Shares by the Issuer or any of its Subsidiaries, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Issuer or any of its Subsidiaries (and which, in the case of Condition 6(b)(iv) and (vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue”.

## **5. Interest**

### **(a) Interest Rate**

The Bonds bear interest from and including the Closing Date at the rate of 3.625 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in equal instalments in arrear on 29 May and 29 November in each year (each an “Interest Payment Date”), commencing with the Interest Payment Date falling on 29 November 2008. The amount of interest payable in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date and the number of Interest Periods normally ending in any year.

“Interest Period” means the payment period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

### **(b) Accrual of Interest**

Each Bond will cease to bear interest (i) where the Conversion Right shall have been exercised by a Bondholder from the Interest Payment Date immediately preceding the relevant Conversion Date or, if none, the Closing Date (subject in any such case as provided in Condition 6(k)) or (ii) from the due date for redemption thereof unless, upon due presentation thereof, payment of principal is improperly withheld or refused in which event interest will continue to accrue as provided in the Trust Deed.



## 6. Conversion

### **(a) Conversion Period and Conversion Price**

Each Bond shall entitle the holder (such right a "Conversion Right") to redeem such Bond at a price equal to the Cash Redemption Amount.

The initial conversion price (the "Conversion Price") is £11.3181 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in Condition 6(b).

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering such Bond to the specified office of any Paying and Conversion Agent in accordance with Condition 6(i) whereupon the Issuer shall pay the Cash Redemption Amount.

Subject to, and upon compliance with, the provisions of these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) during the period (the "Conversion Period") from 9 July 2008 to the close of business on the date falling six London business days prior to the Final Maturity Date (both days inclusive) or, if the Bonds shall have been called for redemption pursuant to Condition 7(b) prior to the Final Maturity Date, then up to the close of business on the date falling six London business days prior to the date fixed for redemption thereof, unless there shall be default in making payment in respect of such Bond on such date fixed for redemption, in which event the Conversion Right shall extend up to the close of business on the London business day following the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 17 or, if earlier, the Final Maturity Date; and if a Bond is delivered for conversion to the specified office of any Paying and Conversion Agent on a day which is not a business day in the place of such specified office, it shall be deemed to have been delivered on the next following business day in such place.

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 10 or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Issuer to redeem pursuant to Condition 7(d).

### **(b) Adjustment of Conversion Price**

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- (i) If and whenever there shall be a consolidation or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such consolidation or subdivision, as the case may be; and

B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation or subdivision, as the case may be, takes effect.

- (ii) If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to the holders of Ordinary Shares (the "Shareholders") by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (01) any such Ordinary Shares issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive or (02) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

- (iii)
- (A) If and whenever the Issuer shall pay or make any Capital Distribution to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value of the aggregate Capital Distribution attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Capital Distribution by the number of Ordinary Shares entitled to receive the relevant Capital Distribution (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Capital Distribution is capable of being determined as provided herein.

“Capital Distribution” means any Non-Cash Dividend.

“Effective Date” means, in respect of this sub-paragraph (iii)(A), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or, in the case of a Spin-Off, the first date on which the Ordinary Shares are traded ex- the relevant Spin-Off on the Relevant Stock Exchange.

“Non-Cash Dividend” means any Dividend which is not a Cash Dividend, and shall include a Spin-Off.

- (B) If and whenever the Issuer shall pay any Extraordinary Dividends to the Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A - C}$$

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value of the aggregate Extraordinary Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend.
- C is the amount (if any) by which the Threshold Amount in respect of the Relevant Fiscal Year exceeds an amount equal to the aggregate of the Fair Market Values of any previous Cash Dividends per Ordinary Share paid or made in respect of such Relevant Fiscal Year (where C shall be zero if such previous Cash Dividends per Ordinary Share are equal to, or exceed, the Threshold Amount in respect of such Relevant Fiscal Year). For the avoidance of doubt "C" shall equal the Threshold Amount in respect of the Relevant Fiscal Year where no previous Cash Dividends per Ordinary Share have been paid or made in respect of such Relevant Fiscal Year.

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Extraordinary Dividend can be determined.

"Cash Dividend" means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than falling within paragraph (b) of the definition of "Spin-Off" and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) of the definition of "Dividend", and for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of "Dividend" shall be treated as being a Non-Cash Dividend.

"Effective Date" means, in respect of this sub-paragraph (iii)(B), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange.

"Extraordinary Dividend" means any Cash Dividend (the "Relevant Dividend") paid or made in respect of a fiscal year of the Issuer (the "Relevant Fiscal Year"), if (a) the Fair Market Value of the Relevant Dividend per Ordinary Share or (b) the sum of (i) Fair Market Value of the Relevant Dividend per Ordinary Share and (ii) an amount equal to the aggregate of the Fair Market Value or Values of any other Cash Dividend or Cash Dividends per Ordinary Share paid or made in respect of the Relevant Fiscal Year, exceeds the Threshold Amount in respect of such Relevant Fiscal Year, and in that case the Extraordinary Dividend shall be the Relevant Dividend.

“Threshold Amount” means in respect of any Relevant Fiscal Year, the amount per Ordinary Share corresponding to the fiscal year set out below (adjusted pro rata for any adjustments to the Conversion Price made pursuant to the provisions of this Condition 6(b)).

In respect of the fiscal year ending:	Amount per Ordinary Share
	(pence)
31 March 2008 .....	17.00
31 March 2009 .....	17.90
31 March 2010 .....	18.80
31 March 2011 .....	19.80
31 March 2012 .....	20.83

- (C) For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of “Dividend” and the definition of “Fair Market Value”) be determined as at the Effective Date.
- (D) In making any such calculation, such adjustments (if any) shall be made as an Independent Financial Adviser may consider appropriate to reflect (i) any consolidation or subdivision of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any increase in the number of Ordinary Shares in issue in relation to the fiscal year of the Issuer in question, or (ii) any change in the fiscal year of the Issuer.
- (iv) If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or issue or grant to Shareholders as a class by way of rights, options, warrants or other rights to subscribe for or purchase any Ordinary Shares, in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of the issue or grant of such Ordinary Shares, options, warrants or other rights (or, if that is not a dealing day, on the immediately preceding dealing day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue on the Effective Date;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this subparagraph (iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (v) If and whenever the Issuer shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this subparagraph (v), the first date on which the Ordinary Shares are traded ex- the relevant Securities or ex-rights, ex-option or ex-warrants on the Relevant Stock Exchange.

- (vi) If and whenever the Issuer shall issue (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on the exercise of any rights of conversion into, or exchange or subscription for, Ordinary

Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Bonds, which term shall include any further bonds issued pursuant to Condition 18 and consolidated and forming a single series with the Bonds), in each case at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of such issue or grant (or, if that is not a dealing day, the immediately preceding dealing day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such additional Ordinary Shares or, as the case may be, for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and

C is the number of Ordinary Shares to be issued pursuant to such issue of such additional Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.

Such adjustment shall become effective on the date of issue of such additional Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity (otherwise than as mentioned in sub-paragraphs (iv), (v) or (vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Bonds, which term shall for this purpose exclude any further bonds issued pursuant to Condition 18 and consolidated and forming a single series with the Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in

respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant) (or, if that is not a dealing day, the immediately preceding dealing day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue (or grant) by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Issuer for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and

C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,

provided that if at the time of issue of the relevant Securities or date of grant of such rights (the "Specified Date") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided) then for the purposes of this sub-paragraph (vii), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition



or, as the case may be, redesignation had taken place on the Specified Date.

Such adjustment shall become effective on the date of issue of such Securities or, as the case may be, the grant of such rights.

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Bonds and any further bonds issued pursuant to Condition 18 and consolidated and forming a single series therewith) as are mentioned in sub-paragraph (vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification (or, if that is not a dealing day, the immediately preceding dealing day), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such modification by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued by the Issuer for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued);

B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange or subscription price of such Securities; and

C is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription attached thereto at the modified conversion, exchange or subscription price or rate but giving credit in such manner as an Independent Financial Adviser shall, acting as an expert, consider appropriate for any previous adjustment under this sub-paragraph or sub-paragraph (vii) above,

provided that if at the time of such modification (the "Specified Date") such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or at such other time as may be provided) then for the purposes of this paragraph (viii), "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange or subscription had taken place on the Specified Date.

Such adjustment shall become effective on the date of modification of the rights of conversion, exchange or subscription attaching to such Securities.

- (ix) If and whenever the Issuer or any Subsidiary of the Issuer or (at the direction or request of or pursuant to any arrangements with the Issuer or any Subsidiary of the Issuer) any other company, person or entity shall offer any Securities in connection with which offer Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under sub-paragraphs (ii), (iii), (iv), (vi) or (vii) above or (x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under sub-paragraph (v) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the making of such offer by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the date on which the terms of such offer are first publicly announced (or, if such date is not a dealing day, the immediately preceding dealing day); and

B is the Fair Market Value on the date of such announcement (or, if such date is not a dealing day, the immediately preceding dealing day) of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

- (x) If an offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associate of the offeror

(as defined in Section 430E(4) of the Companies Act 1985)), to acquire all or a majority of the issued ordinary share capital of the Issuer or if any person proposes a scheme with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme having become or been declared unconditional in all respects) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer has or will become unconditionally vested in the offeror and/or such associate as aforesaid (a "Relevant Event"), the Conversion Price shall be adjusted as set out below (but in each case adjusted, if appropriate, proportionately on each adjustment to the Conversion Price under the foregoing provisions of this Condition 6(b) and Condition 6(b)(xi) below), provided that any adjustment to the Conversion Price pursuant to this Condition 6(b)(x) shall only apply to Bonds in respect of which Conversion Rights are duly exercised and the Conversion Date (disregarding for this purpose the proviso to the definition of "Conversion Date" in Condition 6(i)) falls within the period (the "Relevant Event Period") commencing on the date the Relevant Event occurs and ending on the date 60 London business days following the occurrence of the Relevant Event or, if later, 60 London business days following the date on which notice of such Relevant Event is given to Bondholders by or on behalf of the Issuer pursuant to Condition 6(e):

Conversion Date	Conversion Price
	(pence)
On or before 29 May 2009	9.6446
Thereafter, but on or before 29 May 2010	10.4814
Thereafter, and until the Final Maturity Date	11.3181

- (xi) If the Issuer determines that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this Condition 6(b) (even if the relevant circumstance is specifically excluded from the operation of sub-paragraphs (i) to (x) above), the Issuer shall, at its own expense and acting reasonably, request an Independent Financial Adviser, acting as an expert, to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this sub-paragraph if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises.

Notwithstanding the foregoing provisions, where the circumstances giving rise to any adjustment pursuant to this Condition 6(b) have

already resulted or will result in an adjustment to the Conversion Price or where the circumstances giving rise to any adjustment arise by virtue of any other circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be advised by an Independent Financial Adviser to be in its opinion appropriate to give the intended result.

In addition, such modification shall be made to the operation of these Conditions as may be advised by an Independent Financial Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once.

For the purpose of any calculation of the consideration receivable or price pursuant to sub-paragraphs (iv), (vi), (vii) and (viii), the following provisions shall apply:

- (a) the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;
- (b) (x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed or the Trustee so requires by notice in writing to the Issuer, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the date of the first public announcement of the terms of issue of such Securities or, as the case may be, such options, warrants or rights, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities

or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be or be expressed in a currency other than pounds sterling it shall be converted into pounds sterling at such rate of exchange as may be determined in good faith by an Independent Financial Adviser to be the spot rate ruling at the close of business on the date of the first public announcement of the terms of issue of such Securities, divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate; and
- (d) in determining consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or otherwise in connection therewith.

**(c) *Retroactive Adjustments***

If the Conversion Date in relation to any Bond shall be after the record date for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Condition 6(b)(ii), (iii), (iv), (v) or (ix), or any such issue as is mentioned in Condition 6(b)(vi) and (vii) which is made to the Shareholders or any of them, but before the relevant adjustment becomes effective under Condition 6(b) (such adjustment, a "Retroactive Adjustment"), the Issuer shall (conditional upon the relevant adjustment becoming effective) pay to the converting Bondholder, in accordance with the instructions contained in the Conversion Notice, an additional amount (the "Additional Cash Redemption Amount") as, together with the Cash Redemption Amount paid or to be paid to the relevant Bondholder on conversion of the relevant Bond, is equal to the Cash Redemption Amount which would have been required to be paid on conversion of such Bond if the relevant adjustment (more particularly referred to in the said provisions of Condition 6(b)) to the Conversion Price had in fact been made and become effective immediately prior to the relevant Conversion Date.

The Issuer will pay the Additional Cash Redemption Amount by not later than the fifth London business day following the date on which the relevant retroactive adjustment shall become effective, by transfer to a pounds sterling account with a bank in London in accordance with instructions contained in the relevant Conversion Notice.

**(d) *Decision of an Independent Financial Adviser***

If any doubt shall arise as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer and an Independent

Financial Adviser, a written opinion of such Independent Financial Adviser in respect of such adjustment to the Conversion Price shall be conclusive and binding on all concerned, save in the case of manifest or proven (to the satisfaction of the Trustee) error.

**(e) *Relevant Event***

Within 14 calendar days following the occurrence of a Relevant Event, the Issuer shall give notice in writing thereof to the Trustee and to the Bondholders in accordance with Condition 17 (a “Relevant Event Notice”). Such notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 7(d).

The Relevant Event Notice shall also specify:

- (i) all information material to Bondholders concerning the Relevant Event;
- (ii) the Conversion Price immediately prior to the occurrence of the Relevant Event and the Conversion Price applicable pursuant to Condition 6(b)(x) during the Relevant Event Period on the basis of the Conversion Price in effect immediately prior to the occurrence of the Relevant Event;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Relevant Event Notice;
- (iv) the last day of the Relevant Event Period;
- (v) the Relevant Event Put Date; and
- (vi) such other information relating to the Relevant Event as the Trustee may require.

The Trustee shall not be required to monitor, determine, form an opinion or take any steps to ascertain whether a Relevant Event or any event which could lead to a Relevant Event has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

**(f) *Employees’ Share Schemes***

No adjustment will be made to the Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any of its Subsidiaries or any

associated company or to trustees to be held for the benefit of any such person, in any such case pursuant to any employees' share scheme (as defined in Section 743 of the Companies Act 1985).

**(g) *Rounding Down***

On any adjustment, the resultant Conversion Price, if not an integral multiple of £0.01, shall be rounded down to the nearest whole multiple of £0.01. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made, and/or any amount by which the Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time. Notice of any adjustments shall be given to Bondholders in accordance with Condition 17 promptly after the determination thereof.

**(h) *Selection of Independent Financial Adviser***

If the Issuer fails to select an Independent Financial Adviser when required for the purposes of this Condition and such failure continues for a reasonable period (as determined by the Trustee), the Trustee shall be entitled, at the expense of the Issuer, in its absolute discretion to select such Independent Financial Adviser without liability to any Bondholder or any other person for failing to do so.

**(i) *Procedure for Conversion***

A Conversion Right may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a "Conversion Notice") in the form (for the time being current) obtainable from any Paying and Conversion Agent. Conversion Rights shall be exercised subject in each case to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the Paying and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

A Conversion Right may be exercised only in respect of the whole of the principal amount of a Bond.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the "Conversion Date") shall be the London business day immediately following the date of such delivery and, if applicable, any payment to be made as provided below, provided that (i) if an Optional Redemption Notice shall have been given and there shall have been an exercise of Conversion Rights in circumstances where the Conversion Date would otherwise have fallen after the date the Optional Redemption Notice is

given, the Conversion Date in respect of such exercise shall be the fifth London business day prior to the Optional Redemption Date; (ii) if there shall have been an exercise of Conversion Rights in circumstances where the Conversion Date would otherwise have fallen on or after the 20th London business day prior to the Final Maturity Date, then the Conversion Date in respect of such exercise shall be the fifth London business day prior to the Final Maturity Date; and (iii) if Conversion Rights are exercised in circumstances where the relevant Conversion Date would otherwise fall within the Relevant Event Period, then the Conversion Date in respect of such exercise shall be the last day of the Relevant Event Period.

Each Bond should be delivered upon exercise of Conversion Rights together with all Coupons relating to it which mature on or after the relevant Conversion Date, failing which the relevant holder will be required to pay the full amount of any such missing Coupon. Each amount so paid will be repaid in the manner specified in Condition 8 against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time after the relevant Conversion Date and before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not a Coupon would otherwise have become void pursuant to Condition 12), but not thereafter.

A Bondholder exercising a Conversion Right must pay any taxes and capital, stamp, issue and registration duties arising on conversion and all, if any, taxes arising by reference to any disposal or deemed disposal of a Bond or interest therein in connection with such conversion.

**(j) *Purchase or Redemption by the Issuer of its Own Shares***

The Issuer may exercise such rights as it may from time to time enjoy to purchase or redeem its own shares (including Ordinary Shares) without the consent of the Bondholders or Couponholders.

**(k) *Interest on Conversion***

Save as provided in the immediately following paragraph, no payment or adjustment shall be made on conversion for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Conversion Date relating to such Bonds (or, if such Conversion Date falls before the first Interest Payment Date, since the Closing Date).

If any notice requiring the redemption of any Bonds is given pursuant to Condition 7(b) on or after the fifteenth London business day prior to a record date which has occurred since the last Interest Payment Date (or in the case of the first Interest Period, since the Closing Date) (whether such notice is given before, on or after such record date) in respect of any Dividend or distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue on Bonds in respect of which Conversion Rights shall have been exercised in respect of which the Conversion Date falls after such record date and on or prior to the



Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date (or, if such Conversion Date falls before the first Interest Payment Date, from the Closing Date) to but excluding such Conversion Date. The Issuer shall pay any such interest or procure that any such interest is paid by not later than 14 days after the relevant Conversion Date by pounds sterling denominated cheque drawn on, or by transfer to, a pounds sterling account maintained with a branch of a bank in London in accordance with instructions given by the relevant Bondholder.

## **7. Redemption and Purchase**

### **(a) Final Redemption**

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will be redeemed at their principal amount together with unpaid accrued interest on the Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 7(b).

### **(b) Redemption at the Option of the Issuer**

On giving not less than 30 nor more than 90 days' notice (an "Optional Redemption Notice") to the Trustee in writing and to the Bondholders in accordance with Condition 17, the Issuer may redeem all, but not some only, of the Bonds on the date (the "Optional Redemption Date") specified in the Optional Redemption Notice at their principal amount together with accrued interest up to but excluding the Optional Redemption Date if, at any time prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases of Bonds (and corresponding cancellations) effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued. For the purposes of this Condition 7(b) the principal amount of the Bonds originally issued shall be the aggregate of the principal amount of the Bonds and the principal amount of any further bonds issued pursuant to Condition 18 and consolidated and forming a single series with the Bonds, but shall not take account of any Conversion Rights exercised or purchases and corresponding cancellations.

### **(c) Optional Redemption Notice**

Any Optional Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date, (ii) the Conversion Price, the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case as at the latest practicable date prior to the publication of the Optional Redemption Notice and (iii) the last day on which Conversion Rights may be exercised by Bondholders.

**(d) Redemption at the Option of Bondholders upon a Relevant Event**

Following the occurrence of a Relevant Event, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Relevant Event Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond to the specified office of any Paying and Conversion Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Conversion Agent (a "Relevant Event Put Exercise Notice"), at any time during the Relevant Event Period. The "Relevant Event Put Date" shall be the fourteenth calendar day after the expiry of the Relevant Event Period.

Payment in respect of any such Bond shall be made by transfer to a pounds sterling account with a bank in London as specified by the relevant Bondholder in the relevant Relevant Event Put Exercise Notice.

A Relevant Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Relevant Event Put Exercise Notices delivered as aforesaid on the Relevant Event Put Date.

**(e) Purchase**

Subject to the requirements (if any) of the UKLA or the London Stock Exchange or any other stock exchange on which the Bonds may be listed at the relevant time, the Issuer or any Subsidiary of the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Such Bonds may be held, resold or reissued, or, at the option of the Issuer, surrendered to any Paying and Conversion Agent for cancellation. The Bonds so purchased, while held by or on behalf of the Issuer or any Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purpose of calculating quorums at meetings of Bondholders for the purposes of Condition 14(a).

**(f) Cancellation**

All Bonds which are redeemed or in respect of which Conversion Rights are exercised will be cancelled and may not be reissued or resold. Bonds purchased by the Issuer or any of its Subsidiaries may be surrendered for cancellation or may be held, reissued or re-sold.

**8. Payments**

**(a) Method of Payment**

Payment of the principal amount of the Bonds will be made against presentation and surrender (or, in the case of partial payment, endorsement) of Bonds and payment of any interest due on an Interest Payment Date will be made against presentation and surrender (or, in the case of partial payment, endorsement) of Coupons, at the specified office of any Paying and Conversion Agent by transfer

to a pounds sterling account maintained by the payee with a bank in London. Payments of interest due in respect of Bonds other than on an Interest Payment Date shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Bond.

Any Cash Redemption Amount (other than comprising a Squeeze Out Amount) shall be paid by the Issuer by not later than the fifth London business day following the end of the Cash Redemption Calculation Period or, where the Cash Redemption Amount is determined by an Independent Financial Adviser pursuant to the proviso to the definition of "Cash Redemption Amount", following the end of the period of 40 London business days commencing on the relevant Conversion Date, and any Cash Redemption Amount comprising a Squeeze Out Amount shall be paid by the Issuer by not later than the fifth London business day following the relevant Conversion Date, in each case by transfer to a pounds sterling account with a bank in London in accordance with instructions contained in the relevant Conversion Notice.

Payments of all other amounts will be made as provided in these Conditions.

**(b) *Payments subject to fiscal laws***

All payments are subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment. No commissions or expenses shall be charged to the Bondholders or Couponholders in respect of such payments.

**(c) *Surrender of unmatured Coupons***

Each Bond should be presented for payment together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of the amount so paid in respect of the relevant Bonds bears to the total amount due in respect of the relevant Bonds) will be deducted from the sum due for payment. Each amount so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 5 years after the Relevant Date for the relevant payment in respect of the relevant Bonds.

For the purposes hereof and save as otherwise provided herein, "unmatured Coupons" means Coupons maturing after the due date for redemption of the Bonds to which they appertain.

**(d) *Non-business days***

A Bond or Coupon may only be presented for payment on a day which is a business day in the place of presentation and a London business day. No further interest or other payment will be made as a consequence of the day on which the relevant Bond or Coupon may be presented for payment under this paragraph (d) falling after the due date.

**(e) *Paying and Conversion Agents, etc.***

The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee (which approval shall not be unreasonably withheld or delayed), to vary or terminate the appointment of any Paying and Conversion Agent and appoint additional or other Paying and Conversion Agents, provided that it will maintain (i) a Principal Paying and Conversion Agent, (ii) Paying and Conversion Agents having specified offices in at least two major European cities and (iii) a Paying and Conversion Agent with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. Notice of any change in the Paying and Conversion Agents or their specified offices will promptly be given to the Trustee in writing and to the Bondholders in accordance with Condition 17.

**(f) *Fractions***

When making payments to Bondholders, if the relevant payment is not of an amount which is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

**9. Taxation**

All payments by or on behalf of the Issuer in respect of the Bonds and the Coupons shall be made without withholding or deduction for any taxation unless such withholding or deduction is required by law. In that event the relevant payment will be made subject to such withholding or deduction. The Issuer will not be required to pay any additional or further amounts in respect of such withholding or deduction.

**10. Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in nominal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but, in the case of the happening of any of the events mentioned in sub-paragraphs (ii) to (vii) inclusive below (other than the making of any order or an effective resolution being passed for the winding up or the appointment of an administrative or other receiver of the whole or any material part of the undertaking or assets of the Issuer) only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Bondholders), give notice to the Issuer that the Bonds are, and they shall accordingly thereby immediately become, due and repayable at their principal amount (together with interest accrued to the date upon which, the principal amount of the Bonds having been received by the Principal Paying and Conversion Agent or the Trustee, notice is duly given to the Bondholders in accordance with Condition 17) if any of the following events shall occur and be continuing:

- (i) default is made for a period of seven days or more in the payment of any principal due on the Bonds or any of them or 21 days or more in the payment of any interest due on the Bonds or any of them; or
- (ii) an order is made or an effective resolution passed for winding up the Issuer or any Material Subsidiary (except, in the case of a Material Subsidiary, a winding up for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders or a voluntary solvent winding up in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to the Issuer or another Subsidiary) or an administration order is made in relation to the Issuer or any Material Subsidiary; or
- (iii) if the Issuer or any Material Subsidiary ceases to carry on the whole of its business or (in the case of the Issuer) a substantial part of its business or (in the case of a Material Subsidiary) substantially the whole of its business (except (1) (in each case) where such cessation is for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders or (2) (in the case of the Issuer) where such cessation is in connection with the transfer of all or a substantial part of the business of the Issuer to a Material Subsidiary or a sale of assets of the Issuer at fair market value where the proceeds of such sale are reinvested in the business of the Issuer or (3) (in the case of a Material Subsidiary) where such cessation is in connection with a solvent winding up of such Material Subsidiary or the transfer of the whole or substantially the whole of the business of such Material Subsidiary to the Issuer or to any company which is at the time thereof or will immediately thereafter be a wholly-owned Subsidiary of the Issuer or a sale of assets of such Material Subsidiary at fair market value where the proceeds of such sale are reinvested in the business of the Issuer or any wholly-owned Subsidiary of the Issuer);
- (iv) an encumbrancer takes possession or an administrative or other receiver is appointed of the whole or any in the opinion of the Trustee material part of the undertaking or assets of the Issuer or any Material Subsidiary or a distress or execution is levied or enforced upon or sued out against all or any in the opinion of the Trustee material part of the assets of the Issuer or any Material Subsidiary and is not removed, discharged or paid out within 30 days; or
- (v) the Issuer or any Material Subsidiary stops or threatens to stop making payments of its debts generally or is deemed to be unable to pay its debts within the meaning of Section 123(1)(e) and Section 123(2) of the Insolvency Act 1986 of Great Britain; or
- (vi) any indebtedness for moneys borrowed of the Issuer or any Material Subsidiary is not paid on its due date where there is no applicable grace period or, if there is an originally applicable grace period, by the expiry of such period or becomes due and payable prior to the stated maturity by reason of a default or any guarantee of any indebtedness for moneys borrowed of any third party given by the Issuer or any Material Subsidiary is not honoured when due and called upon

or any security created by any debenture, mortgage or charge created by the Issuer or any Material Subsidiary becomes enforceable and steps are taken to enforce the same provided that no such event shall constitute an event of default unless the indebtedness for moneys borrowed or the amount so secured and in respect of which such enforcement steps are taken either alone or when aggregated with other such indebtedness for moneys borrowed and amounts so secured shall be equal to or exceed the Specified Amount; or

- (vii) default is made by the Issuer in the performance or observance of any obligation, condition or provision expressed to be binding on it under the Bonds or the Trust Deed (other than any obligation for the payment of any principal or interest in respect of the Bonds) notwithstanding that such obligation, condition or provision may by reason of any rule or applicable law be not binding on it and, except where such default is incapable of remedy, such default continues for 30 days after written notice thereof by the Trustee to the Issuer requiring the same to be remedied has been given.

For the purpose of these Conditions:

- (1) “Specified Amount” shall mean the greater of (a) £20,000,000 (or its equivalent in any other currency or currencies) and (b) such amount in pounds sterling (or its equivalent in any other currency or currencies) as is equal to one per cent. of the aggregate of (i) the nominal amount of the ordinary share capital of the Issuer for the time being issued and paid up or credited as paid up, (ii) the amounts standing to the credit of the reserves (including any share premium account and profit and loss account) of the Issuer and the Subsidiaries and (iii) any amounts attributable to minority interests in such Subsidiaries, all as shown in the latest audited consolidated balance sheet of the Issuer and the Subsidiaries prepared in accordance with International Financial Reporting Standards (“IFRS”) less (iv) any amounts, determined in accordance with IFRS, representing distribution of cash or tangible assets declared, recommended or made by the Issuer or any of the Subsidiaries (other than any distribution attributable to the Issuer or any Subsidiary) out of profits accrued prior to the date of, and not provided for in, the latest audited consolidated balance sheet of the Issuer and the Subsidiaries and less (v) any amounts shown in such latest audited consolidated balance sheet (y) attributable to intangible assets and (z) in respect of any debit on profit and loss account.

A certificate of two directors of the Issuer or the Auditors as to the Specified Amount shall, in the absence of manifest error, be conclusive and binding on all parties.

- (2) “substantial part” means 10 per cent. or more of the consolidated gross assets of the Issuer and the Subsidiaries taken as a whole.

## **11. Undertakings**

Whilst any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in

its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (a) other than in connection with a Newco Scheme, not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
  - (A) by the issue of fully paid Ordinary Shares or other Securities to the Shareholders and other holders of ordinary shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares or other Securities on a capitalisation of profits or reserves; or
  - (B) by the issue of Ordinary Shares paid up in full out of profits or reserves (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend; or
  - (C) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of ordinary shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares) on a capitalisation of profits or reserves,

unless, in any such case, the same gives rise (or would, but for the provisions of Condition 6(g) relating to the carry forward of adjustments, give rise) to an adjustment to the Conversion Price;

- (b) not in any way modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation nor issue any other class of equity share capital carrying any rights which are more favourable than such rights but so that nothing in this Condition 11(b) shall prevent:
  - (i) the issue of any equity share capital to employees or directors (or the spouse or relative of any such person) whether of the Issuer or any of the Issuer's subsidiaries or associated companies pursuant to any employees' share scheme as defined in Section 743 of the Companies Act 1985; or
  - (ii) any consolidation or subdivision of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa; or
  - (iii) any modification of such rights which is not, in the opinion of an Independent Financial Adviser acting as an expert, materially prejudicial to the interests of the Bondholders; or
  - (iv) any alteration to the Articles of Association of the Issuer made in connection with the matters described in this Condition 11 or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of

holders of Securities, including Ordinary Shares, dealt with under such procedures); or

- (v) any issue of equity share capital where the issue of such equity share capital results or would, but for the provisions of any other Condition, otherwise result in an adjustment of the Conversion Price; or
  - (vi) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Issuer shall have instructed an Independent Financial Adviser, to determine what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined either that no adjustment is required or that an adjustment to the Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly);
- (c) procure that no Securities (whether issued by the Issuer or any Subsidiary or procured by the Issuer or any Subsidiary to be issued or issued by any other person pursuant to any arrangement with the Issuer or any Subsidiary) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 6(g) relating to the carry forward of adjustments, give rise) to an adjustment to the Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;
- (d) not reduce its issued share capital, share premium account or capital redemption reserve or any uncalled liability in respect thereof except:
- (i) pursuant to the terms of issue of the relevant share capital; or
  - (ii) by means of a purchase or redemption of share capital of the Issuer; or
  - (iii) as permitted by Section 130(2) of the Companies Act 1985; or
  - (iv) where the reduction does not involve any distribution of assets; or
  - (v) where the reduction results in (or would, but for the provisions of Condition 6(g) relating to the carry forward of adjustments, result in) an adjustment to the Conversion Price; or
  - (vi) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or



- (vii) pursuant to a Newco Scheme;
- (e) if any offer is made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associates of the offeror (as defined in Section 430E(4) of the Companies Act 1985 or any modification or re-enactment thereof)) to acquire all or a majority of the issued ordinary share capital of the Issuer, or if a scheme (other than a Newco Scheme) is proposed with regard to such acquisition (other than a Newco Scheme), give notice in writing of such offer or scheme to the Trustee and the Bondholders in accordance with Condition 17 at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying and Conversion Agents;
- (f) in the event of a Newco Scheme, the Issuer shall take (or shall procure that there is taken) all necessary action to ensure that (to the satisfaction of the Trustee) immediately after completion of the Scheme of Arrangement, at its option, either (a) Newco is substituted under the Bonds and the Trust Deed as principal obligor in place of the Issuer (with the Issuer providing a guarantee) subject to and as provided in the Trust Deed; or (b) Newco becomes a guarantor under the Bonds and the Trust Deed and, in either case, that such amendments are made to these Conditions and the Trust Deed as are necessary, in the opinion of the Trustee, to ensure that on exercise of Conversion Rights, Bondholders will be entitled to receive a Cash Redemption Amount mutatis mutandis in accordance with and subject to these Conditions and the Trust Deed, with such modification as an Independent Financial Adviser shall consider to be appropriate, determined by reference to the value of the ordinary shares of Newco;
- (g) give notice in writing to the Trustee and to Bondholders in accordance with Condition 17 of the occurrence of a Relevant Event as soon as practicable after it becomes aware thereof. Such notice shall specify (i) all information relevant to Bondholders concerning the Relevant Event, (ii) the Conversion Price immediately prior to the occurrence of the Relevant Event and the Conversion Price applicable pursuant to Condition 6(b)(x) during the Relevant Period, (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of such notice, (iv) the last day of the Relevant Period, and (v) such other information relating to the Relevant Event as the Trustee may require.

As used in these Conditions, “ordinary share capital” has the meaning given to it in Section 832 of the Income and Corporation Taxes Act 1988 and “equity share capital” has the meaning given to it in Section 548 of the Companies Act 2006.

## **12. Prescription**

Claims in respect of principal or any other amount payable upon presentation of the Bonds shall become void unless presentation for payment is made as required by Condition 8 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

Claims for interest payable on an Interest Payment Date shall become void unless the relevant Coupon is presented as required by Condition 8 within a period of 5 years from the appropriate Relevant Date.

Claims in respect of any other amounts payable in respect of the Bonds shall become void unless made within 10 years following the due date for payment thereof.

### **13. Replacement of Bonds and Coupons**

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying and Conversion Agent for the time being subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may require. Mutilated or defaced Bonds or Coupons must be surrendered before replacements will be issued.

### **14. Meetings of Bondholders, Modification and Waiver**

#### **(a) Meetings of Bondholders**

The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, inter alia, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount, or interest on, the Bonds, (iii) to increase the Conversion Price other than in accordance with these Conditions or pursuant to a Newco Scheme Modification (as defined below), (iv) to change the currency of any payment in respect of the Bonds, (v) to modify or vary the Conversion Rights in respect of the Bonds, other than pursuant to or as a result of any amendments to these Conditions and the Trust Deed made pursuant to and in accordance with the provisions of Condition 11(f) ("Newco Scheme Modification"), or (vi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than three-quarters, or at any adjourned meeting not less than one-half, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

No consent or approval of Bondholders shall be required in connection with any Newco Scheme Modification.

**(b) *Modification and Waiver***

The Trustee may agree, without the consent of the Bondholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or the Coupons which in the Trustee's opinion is of a formal, minor or technical nature or is made to correct a manifest or proven (to the satisfaction of the Trustee) error or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or the Coupons (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bond or Coupons which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Bondholders and the Couponholders promptly in accordance with Condition 17.

**(c) *Substitution***

The Trust Deed contains provisions permitting the Trustee to agree, subject to such amendment of the Trust Deed and such other conditions as the Trustee may require, but without the consent of the Bondholders or the Couponholders, to the substitution of (i) certain other entities of the Issuer or (ii) Newco in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds subject to the Bonds, other than in the case of a Newco Scheme, continuing to be redeemable as provided in these Conditions and, in the case of a Newco Scheme, being redeemable on exercise of Conversion Rights at a Cash Redemption Amount determined mutatis mutandis in accordance with and subject to these Conditions, with such modifications as an Independent Financial Adviser shall consider to be appropriate, determined by reference to the value of the ordinary shares of Newco and, other than in the case of a Newco Scheme, being unconditionally and irrevocably guaranteed by the Issuer to the satisfaction of the Trustee. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders or the Couponholders, to a change of the law governing the Bonds, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders. Any such substitution shall be binding on the Bondholders and the Couponholders and shall be notified promptly to the Bondholders in accordance with Condition 17.

**(d) Entitlement of the Trustee**

In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Trustee shall have regard to the interests of the Bondholders as a class and, in particular but without limitation, shall not have regard to the consequences of the exercise of its trusts, powers or discretions for individual Bondholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholder be entitled to claim, from the Issuer or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders or Couponholders except in relation to a substitution pursuant to Condition 14(c).

**15. Enforcement**

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Bonds and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Bonds or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

**16. The Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and any entity related to the Issuer without accounting for any profit. The Trustee may rely without liability to Bondholders, Couponholders or any other person on a report, confirmation or certificate of any accountants, financial advisers or investment bank, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee shall be obliged to accept and entitled to rely on any such report, confirmation or certificate where the Issuer procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be binding on the Issuer, the Trustee, the Bondholders and the Couponholders in the absence of manifest or proven (to the satisfaction of the Trustee) error.

**17. Notices**

All notices regarding the Bonds will be valid if published in one leading daily newspaper in London (which is expected to be the Financial Times) or, if this is not possible, in one other leading English language daily newspaper with general circulation in Europe. The

Issuer shall also ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the date of the first such publication or, if required to be published in more than one newspaper, on the date of the first such publication in all the required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition 17.

**18. Further Issues**

The Issuer may from time to time without the consent of the Bondholders create and issue further notes, bonds or debentures either having the same terms and conditions in all respects as the outstanding notes, bonds or debentures of any series (including the Bonds) (or in all respects except for the first payment of interest on them and so that such further issue shall be consolidated and form a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) or upon such terms as to interest, conversion, premium, redemption and otherwise as the Issuer may determine at the time of their issue. Any further notes, bonds or debentures forming a single series with the outstanding notes, bonds or debentures of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other notes, bonds or debentures may, with the consent of the Trustee, be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of notes, bonds or debentures of other series in certain circumstances where the Trustee so decides.

**19. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

**20. Governing Law**

The Trust Deed, the Agency Agreement, the Bonds and the Coupons are governed by, and shall be construed in accordance with, English law.

## **SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM**

The Temporary Global Bond and the Global Bond contain provisions which apply to the Bonds while they are in global form, some of which modify the effect of the Terms and Conditions of the Bonds. The following is a summary of certain of those provisions. References to the Terms and Conditions are to a Condition of the relevant Bonds.

### **1. Exchange**

The Temporary Global Bond is exchangeable in whole or in part (free of charge to the holder) for interests in the Global Bond on or after a date which is expected to be 9 July 2008 upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Bond. The Global Bond is exchangeable in whole but not in part (free of charge to the holder) for the Definitive Bonds described below (i) if the Global Bond is held on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days or more (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, or (ii) if the Issuer would suffer a material disadvantage in respect of the Bonds as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction in which the Issuer is for the time being incorporated which would not be suffered were the Bonds represented by such Global Bond in definitive form and a certificate to such effect signed by two Directors of the Issuer is delivered to the Trustee. Thereupon (in the case of (i) above) the holder may give notice to the Principal Paying and Conversion Agent, and (in the case of (ii) above) the Issuer may give notice to the Principal Paying and Conversion Agent and the Bondholders, of its intention to exchange the Global Bond for Definitive Bonds (as defined below) on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date (as defined below) the holder of the Global Bond may surrender the Global Bond to or to the order of the Principal Paying and Conversion Agent. In exchange for the Global Bond the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Bonds (the "Definitive Bonds") (having attached to them all Coupons in respect of interest which has not already been paid on the Global Bond), security printed in accordance with applicable legal and stock exchange requirements substantially in the form set out in Schedule 1 to the Trust Deed. On exchange in full of the Global Bond, the Issuer will procure that it is cancelled.

"Exchange Date" means a day falling not less than 60 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Principal Paying and Conversion Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant clearing system is located.

### **2. Payments**

No person shall be entitled to receive any payment on the Temporary Global Bond unless exchange for the relevant interest in the Global Bond is improperly withheld or refused. Payments of principal and interest falling due in respect of the Bonds

represented by the Global Bond will be made against presentation for endorsement and, if no further payment falls to be made on it, surrender of the Global Bond to or to the order of the Principal Paying and Conversion Agent or such other Paying and Conversion Agent as shall have been notified to the Bondholders for this purpose. A record of each payment so made will be endorsed in the appropriate schedule to the Global Bond, which endorsement will be *prima facie* evidence that such payment has been made.

### **3. Notices**

So long as the Bonds are represented by the Global Bond and the Global Bond is held on behalf of a clearing system approved by the Trustee, notices required to be given to Bondholders may be given by delivery to that clearing system rather than by publication as required by the Terms and Conditions.

### **4. Prescription**

Claims against the Issuer in respect of principal and interest on the Bonds represented by the Global Bond will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Terms and Conditions).

### **5. Meetings**

The holder of the Global Bond will be treated at any meeting of Bondholders as having one vote in respect of each £50,000 in principal amount of Bonds.

### **6. Purchase and Cancellation**

Cancellation of any Bond represented by the Global Bond required by the Terms and Conditions to be cancelled following its purchase will be effected by reduction in the principal amount of the Global Bond.

### **7. Trustee's Powers**

In considering the interests of Bondholders while the Global Bond is held on behalf of a clearing system the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Bond and may consider such interests as if such accountholders were the holder of the Global Bond.

### **8. Conversion Rights**

The Conversion Rights in respect of the Bonds will be exercisable by presentation of the Global Bond to or to the order of any Paying and Conversion Agent for notation of exercise of the relevant Conversion Rights together with one or more duly completed Conversion Notices. Conversion Rights may not be exercised in respect of any Bond while such Bond is represented by the Temporary Global Bond.

**9. Redemption at the Option of the Bondholders following a Relevant Event**

The Bondholders' put option in Condition 7(d) may be exercised by an accountholder giving notice to any Paying and Conversion Agent in accordance with the standard procedures of Euroclear and/or Clearstream, Luxembourg (which may include notice being given on such Bondholder's instructions by Euroclear and/or Clearstream, Luxembourg or any common depository for them to the relevant Paying and Conversion Agent by electronic means) of the principal amount of Bonds in respect of which the option is exercised and at the same time presenting, or procuring the presentation of, the Global Bond to the relevant Paying and Conversion Agent for endorsement of exercise within the time limits specified in Condition 7(d).



## **USE OF PROCEEDS**

The net cash proceeds of the issue of the Bonds, after deduction of fees and commissions, are estimated to be approximately £421,875,000. The net proceeds from the issue of the Bonds will be used by the Issuer to refinance the Issuer's existing debt and for the general corporate purposes of the Group.

## DESCRIPTION OF 3i GROUP PLC

### Introduction

The Issuer was incorporated in England (registered number 1142830) on 1 November 1973 under the name of Finance for Industry Limited and adopted the name Investors in Industry Group plc in 1983. It is incorporated in England and Wales under the Companies Acts 1948 to 1967 as a public limited company. It adopted its present legal and commercial name, 3i Group plc, in 1988. The Issuer was formed to acquire the whole of the issued share capital of Finance Corporation for Industry Limited ("FCI") and of Industrial and Commercial Finance Corporation Limited ("ICFC"). Both ICFC and FCI were formed in 1945 at the request of the United Kingdom Government to supply long term and medium term capital respectively to British industry and commerce. Today the Issuer is a private equity investment business, making and managing mid-market equity and equity-related investments in Europe, Asia and the United States and with investment operations in 14 countries across these three regions.

The Issuer's interest in the shares of the significant majority of its subsidiaries is held by its wholly-owned subsidiary, 3i Holdings plc. 3i Investments plc, an indirect wholly-owned subsidiary of the Issuer, acts as investment manager and adviser to the Issuer. 3i plc provides secretarial and administrative services to the Group.

3i Investments plc is authorised and regulated by the FSA to manage investments and operate collective investment schemes.

On 18 July 1994, the issued shares of 50 pence each in the capital of the Issuer were admitted to the Official List of the London Stock Exchange. On 11 July 2005, the authorised (both issued and unissued) shares of 50 pence each of the Issuer were consolidated and sub-divided into ordinary shares of  $53 \frac{1}{8}$  pence each, and the new consolidated issued share capital was admitted to the Official List of the UKLA. On 17 July 2006, the authorised (both issued and unissued) share capital of the Issuer represented by ordinary shares of  $53 \frac{1}{8}$  pence each was consolidated and sub-divided into ordinary shares of  $62 \frac{69}{88}$  pence each, and the new consolidated issued share capital was admitted to the Official List of the UKLA. On 16 July 2007, the authorised (both issued and unissued) share capital of the Issuer represented by ordinary shares of  $62 \frac{69}{88}$  pence each was consolidated and sub-divided into ordinary shares of  $73 \frac{19}{22}$  pence each, and the new consolidated issued share capital was admitted to the Official List of the UKLA. It is the parent company of the Group.

3i Group plc's registered address is 16 Palace Street, London SW1E 5JD, telephone 020 7928 3131.

### Description of the Business

The principal activities of the Group are investment and investment management within the private equity and infrastructure asset classes. The Group has four main business lines, as follows:

- Buyouts, which focuses on mid-market transactions primarily in Europe but also in Asia where the value of the underlying business is typically up to €1 billion. This business line invests both using the Group's own balance sheet resources and on behalf of third party fund investors;

- Growth Capital, which makes minority investments of typically up to €250 million in established and profitable businesses across Europe, Asia and the United States. Investments are generally made using the Group's own balance sheet resources;
- Infrastructure, which invests in a broad range of international infrastructure assets, principally in transportation, utilities and social infrastructure. Investments are typically made on behalf of 3i Infrastructure Limited, a quoted company listed on the London Stock Exchange which is advised by 3i Investments plc and in which the Issuer has approximately a 46 per cent. shareholding, and 3i India Infrastructure Limited, a limited partnership in which the Issuer is invested, or from the Group's own balance sheet resources; and
- Quoted Private Equity, which seeks to acquire influential or controlling stakes in smaller quoted companies, primarily in Europe. This business line invests solely on behalf of 3i Quoted Private Equity Limited, a quoted company listed on the London Stock Exchange which is advised by 3i Investments plc and in which the Issuer has approximately a 45 per cent. shareholding;

The Issuer owns substantially all the investments of the Group.

### **Directors and Company Secretary**

The Issuer's Directors are Baroness Hogg, Mr Oliver Stocken, Mr Philip Yea, Mr Simon Ball, Mr Willem Mesdag, Mme Christine Morin-Postel, Mr Michael Queen, Sir Robert Smith, Mr Fred Steingraber and Mr Robert Swannell. The Issuer's Secretary is Mr Kevin Dunn.

The business address of each of the above in respect of the Issuer is 16 Palace Street, London SW1E 5JD. Their functions within the Group and their activities outside the Group, where these are significant, are as follows:

Baroness Hogg

*Chairman since 2002 and a non-executive Director since 1997. Chairman of the Nominations Committee and the Valuations Committee and a member of the Remunerations Committee.*

Chairman of Frontier Economics Limited. A director of BG Group plc. Deputy Chairman of the Financial Reporting Council and a Governor of the London Business School. From 1995 to 2002, Chairman of Foreign & Colonial Smaller Companies PLC. From 2003 to 2006, Deputy Chairman of GKN plc. Formerly Head of the Prime Minister's Policy Unit.

Oliver Stocken

*Deputy Chairman and Senior Independent Director since 2002 and a non-executive Director since 1999. Chairman of the Audit and Compliance Committee and of the trustees of the 3i Group Pension Plan. A member of the Remuneration Committee, the Nominations Committee and the Valuations Committee.*

Chairman of Home Retail Group plc, Oval Limited and Stanhope Group Holdings Limited and a director of Standard Chartered plc. Formerly Finance Director of Barclays plc.

Philip Yea

*Chief Executive and executive Director since joining the Issuer in 2004. A member of the Nominations Committee and the Valuations Committee. A member of the Group's Investment Committee since 2004.*

Non-executive director of Vodafone Group plc. Formerly Managing Director within the private equity business of Investcorp. Former Finance Director of Diageo plc and former non-executive director of HBOS plc and Manchester United PLC.

Simon Ball

*Finance Director and member of the Management Committee since joining the Issuer in 2005. A member of the Valuations Committee and the Group's Investment Committee.*

Non-executive director of Cable & Wireless plc. Formerly, Director General Finance at the Department for Constitutional Affairs, Group Finance Director of Robert Fleming and Chief Operating Officer (UK) of Dresdner Kleinwort Benson.

Willem Mesdag

*Non-executive Director since July 2007. A member of the Remuneration Committee and the Nominations Committee.*

Managing Partner of Red Mountain Capital Partners LLC. Formerly a Partner and Managing Director of Goldman, Sachs & Co.

Christine Morin-Postel

*Non-executive Director since 2002. A member of the Audit and Compliance Committee, the Remuneration Committee and the Nominations Committee.*

A director of British American Tobacco PLC and Royal Dutch Shell PLC. Formerly Chief Executive of Société Générale de Belgique, executive Vice-President and member of the executive committee of Suez and a director of Tractebel, Fortis and Alcan, Inc.

Michael Queen

*Executive Director since 1997 and Managing Partner, Infrastructure. Joined the Issuer in 1987. From 1994 to 1996 seconded to HM Treasury. Appointed Group Financial Controller in 1996 and Finance Director in 1997. A member of the Management Committee and the Group's Investment Committee since 1997. Ceased to be Finance Director on assuming responsibility for Growth Capital investment in 2005.*

A director of Gardens Pension Trustees Limited, a corporate trustee of the 3i Group Pension Plan. Past Chairman of the British Venture Capital Association.

Sir Robert Smith

*Non-executive Director since 2004. Chairman of the Remuneration Committee and a member of the Audit and Compliance Committee and the Nominations Committee.*

Chairman of Weir Group plc and Scottish & Southern Energy plc. A non-executive director of Aegon UK plc and Standard Bank Group Limited. Formerly a non-executive director of the FSA and Bank of Scotland plc, Chief Executive of Morgan Grenfell Asset Management and a member of the Financial Reporting Council.

Fred Steingraber

*Non-executive Director since 2002. A member of the Audit and Compliance Committee and the Nominations Committee.*

A non-executive director of Elkay Manufacturing and Diamond Hill Financial Trends Fund. A member of the supervisory board of Continental AG. Chairman Emeritus, and former Chairman and Chief Executive, of AT Kearney, Inc. Formerly a director of Maytag Corporation, Lawter International, Inc, Mercury Finance Corporation, John Hancock Financial Trends Fund and the Chicago Stock Exchange.

Robert Swannell

*Non-executive Director since September 2006. A member of the Nominations Committee and the Valuations Committee.*

Vice Chairman, Citi Europe and a member of Citi's Global Investment Banking Operating Committee. A non-executive director of The British Land Company PLC. A member of the Takeover Panel Appeal Board, a member of the Industrial Development Advisory Board of the Department for Business, Enterprise & Regulatory Reform (BERR) and a trustee of the UK Career Academy Foundation.

Kevin Dunn

*General Counsel and Company Secretary since November 2007. Chairman of the Corporate Responsibility Committee and a member of the Management Committee since joining the Issuer in October 2007.*

Details of the Directors and their directorships are stated as at the close of business at 15 May 2008.

There are no potential conflicts of interest between duties of the persons listed above to the Issuer and their private interests and/or other duties.

## **Employees**

The average monthly number of employees of the Issuer and its subsidiaries during the year ended 31 March 2008 was 772.

## PRINCIPAL SHAREHOLDERS

As at 20 May 2008, the latest practicable date prior to the publication of this document, notifications of the following voting interests in the Issuer's ordinary share capital had been received by the Issuer (in accordance with Chapter 5 of the FSA's Disclosure and Transparency Rules):

	<b>Number of Ordinary Shares</b>	<b>Approximate percentage of issued ordinary share capital</b>	<b>Nature of holding</b>
AXA S.A. and its group of companies	44,788,612	11.7	Direct and indirect
The Goldman Sachs Group, Inc	22,865,000	5.97	Indirect
BlackRock Investment Management (UK) Limited	22,737,966	4.93	Indirect
Lloyds TSB Group plc	15,745,619	4.11	Indirect
Legal & General Group plc and/or its subsidiaries	17,732,765	4.63	Direct
Prudential plc group of companies	11,725,266	3.02	Direct

## **DESCRIPTION OF THE UNDERLYING**

The underlying is the Ordinary Shares. The Ordinary Shares are issued by the Issuer and are listed on the Official List of the UKLA and trade on the London Stock Exchange's market for listed securities under the symbols "III.L". The International Securities Identification Number for the Ordinary Shares is GB00B1YW4409.

Information relating to the Ordinary Shares and the past performance and volatility of the Ordinary Shares can be obtained at <http://www.londonstockexchange.com/en-gb/pricesnews/prices/>.

## UNITED KINGDOM TAXATION

*The comments below are of a general nature based on current United Kingdom law and HM Revenue & Customs practice and are not intended to be exhaustive. They do not necessarily apply where the income is deemed for tax purposes to be the income of any other person. They relate only to the position of persons who are the absolute beneficial owners of Bonds and may not apply to certain classes of persons such as dealers or certain professional investors. Any Bondholders who are resident in overseas jurisdictions or who are in doubt as to their own tax position should consult their professional advisers.*

### **1. Withholding Tax on Interest on the Bonds**

Payments of interest on the Bonds may be made without withholding or deduction for or on account of United Kingdom income tax provided that the Bonds are and continue to be listed on a “recognised stock exchange” within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a “recognised stock exchange”. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000) and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain (as is intended) so listed, interest on the Bonds will be payable without withholding or deduction for or on account of United Kingdom income tax.

If the Bonds were at any time to cease to be so listed, interest will generally be paid under deduction of income tax at the basic rate (currently 20 per cent.) subject to any direction to the contrary from H.M. Revenue & Customs (“HMRC”) in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty. The Terms and Conditions of the Bonds do not provide for any additional payments to be made in this or any other situation.

### **2. HMRC Information Powers**

Bondholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Bondholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts on the redemption of securities which are “deeply discounted securities” for the purposes of the Income Tax (Trading and Other Income) Act 2005 to, or receives such amounts for the benefit of, another person. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Bondholder is resident for tax purposes.

### **3. EC Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to, or collected by a person for, an individual resident in that other Member State. However, for a transitional period, Austria, Belgium and Luxembourg are instead required (unless during that period they elect



otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

#### **4. Taxation of Returns on the Bonds**

The tax treatment of a Bondholder that is within the charge to United Kingdom corporation tax will be substantially dependent on the Bondholder's accounting treatment in respect of the Bonds (including, in particular, as to whether the Bonds are to be bifurcated into a host contract and an embedded derivative in the Bondholder's accounts).

Bondholders (whether corporate or non-corporate) are recommended to seek their own professional advice on the tax treatment in their hands of acquiring, holding and exercising rights under the Terms and Conditions of the Bonds (such rights including the Conversion Right).

Subject to the above, Bondholders who are not resident in the United Kingdom for tax purposes, and who do not carry on a trade, profession or vocation in the United Kingdom through a United Kingdom permanent establishment, branch or agency in connection with which the return on the Bonds are received or to which the relevant Bonds are attributable, will generally not be liable to United Kingdom tax on the return on the Bonds.

#### **5. Stamp Duty and Stamp Duty Reserve Tax**

No United Kingdom stamp duty or stamp duty reserve tax ("SDRT") will be payable on the issue of the Bonds.

No United Kingdom stamp duty will be payable on the transfer by delivery of Bonds.

No SDRT will be payable on agreements to transfer Bonds, including transfers within a clearance system, so long as the Bonds continue (as is intended) to be listed on a recognised stock exchange as described above in "Interest on the Bonds" (and provided also that no such agreement is entered into in contemplation of, or as part of, a takeover of 3i Group plc).

## SUBSCRIPTION AND SALE

Pursuant to a Subscription Agreement dated 15 May 2008 (the “Subscription Agreement”) among the Issuer, Dresdner Bank AG London Branch and Lehman Brothers International (Europe) (Dresdner Bank AG London Branch and Lehman Brothers International (Europe) each a “Joint Lead Manager” and together, the “Joint Lead Managers”), the Issuer has agreed to issue the Bonds to the Joint Lead Managers at a price equal to 100 per cent. of their principal amount plus accrued interest (if any) and the Joint Lead Managers have agreed severally and not jointly to subscribe for the aggregate principal amount of the Bonds at the Issue Price at 100 per cent. of their principal amount set out opposite their respective names in the table below:

	<b>Principal amount of Bonds</b>
	<i>(£'000)</i>
Dresdner Bank AG London Branch .....	215,000
Lehman Brothers International (Europe) .....	215,000
Total .....	430,000

The Issuer has agreed to pay to the Joint Lead Managers certain fees in respect of the issue of the Bonds. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses in connection with the issue of the Bonds pursuant to the Subscription Agreement.

The Issuer has agreed to indemnify the Joint Lead Managers in respect of certain matters pursuant to the Subscription Agreement. The Subscription Agreement contains provisions entitling the Joint Lead Managers to terminate the Subscription Agreement in certain circumstances.

The Issuer has agreed that during the period commencing on 15 May 2008 and ending 90 days after the Closing Date it will not without the prior written consent of the Joint Lead Managers (not to be unreasonably withheld or delayed), (i) directly or indirectly, issue, offer, pledge, sell, contract to issue or sell, issue or sell any option or contract to purchase, purchase any option or contract to issue or sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any securities convertible into or exercisable or exchangeable for Ordinary Shares or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of Ordinary Shares, whether any such swap or transaction described at (i) or (ii) above is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the Bonds or (b) in connection with transactions which have already been publicly announced or (c) certain options sold by the Issuer to the Joint Lead Managers on or about the date of the Subscription Agreement or the conversion or exchange of any existing bonds which carry the right of conversion or exchange into Ordinary Shares or (d) pursuant to any redemption or repurchase of existing bonds which carry the right of conversion or exchange into Ordinary Shares or (e) upon exercise of existing options in respect of Ordinary Shares or (f) the grant of options or other rights or the issue or the transfer of any securities under any employees' share scheme (as defined

in Section 1166 of the Companies Act 2006). For the purposes of this paragraph “Ordinary Shares” shall include participation certificates and any depositary or other receipt, instrument, rights or entitlement representing Ordinary Shares.

## **United States**

The Bonds have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bonds are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

Whether or not otherwise permitted by Regulation S under the Securities Act or U.S. tax laws, each Joint Lead Manager has agreed, and each other distributor or dealer will be required to agree, that it will not offer or sell any Bonds, as part of their distribution at any time or otherwise at any time that it is acting as an agent or intermediary of the Issuer or any of its affiliates and in any event until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons or U.S. Residents (as defined below), and it will have sent to each dealer to which it sells Bonds during the relevant distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Bonds within the United States or to, or for the account or benefit of, U.S. persons or U.S. Residents.

As used herein, “U.S. Resident” includes any U.S. person, as well as (i) any natural person who is only temporarily residing outside the United States, (ii) any account of a U.S. person over which a non-U.S. fiduciary has investment discretion or any entity, which, in either case, is being used to circumvent the registration requirements of the U.S. Investment Company Act of 1940, and (iii) any employee benefit or pension plan that does not have as its participants or beneficiaries persons substantially all of whom are non-U.S. persons. In addition, for these purposes, if an entity either has been formed or is operated for the purpose of investing in the Bonds or in other securities of the Issuer, or facilitates individual investment decisions, such as a self-directed employee benefit or pension plan, the Bonds will be deemed to be held for the account of the beneficiaries or other interest holders of such entity, and not for the account of the entity, and thus such entity will be deemed to be a U.S. Resident for these purposes to the extent that any of its beneficiaries or other interest holders are U.S. Residents. Terms used in this paragraph have the meanings given to them in Regulation S under the Securities Act.

As used herein, “United States” and “U.S.” mean the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

Each Joint Lead Manager has represented and agreed, and each other distributor or dealer will be required to agree, that it has not and will not make use of the United States mails or any means or instruments of United States interstate commerce, directly or indirectly,

including mail, telecopy, email and telephone, to offer for sale, sell or deliver after sale, in connection with the offering, any Bonds and it will have sent to each dealer to which it sells Bonds during the distribution compliance period a confirmation or other notice setting forth such prohibition on the use of means of U.S. interstate commerce.

In addition, until 40 days after the commencement of the offering, an offer or sale of Bonds within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

## **United Kingdom**

Each of the Joint Lead Managers has represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) in connection with the issue or sale of any Bonds in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

## **General**

Save for obtaining the approval of the Offering Circular by the UKLA in accordance with Part VI of the FSMA and the admission to trading of the Bonds on the London Stock Exchange's Professional Securities Market, no action has been or will be taken in any jurisdiction by the Issuer or any Joint Lead Manager that would permit a public offering of the Bonds, or possession or distribution of the Offering Circular or any other offering or publicity material, in any country or jurisdiction where action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will comply, to the best of its knowledge and belief, with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Bonds or has in its possession or distributes the Offering Circular or any such other material.

## **GENERAL INFORMATION**

### **1. Listing**

Application has been made to the UKLA for the Bonds to be admitted to the Official List. Application has been made to the London Stock Exchange for the Bonds to be admitted to trading on the Professional Securities Market. It is expected that admission of the Bonds to the Official List of the UKLA and admission to trading of the Bonds on the Professional Securities Market of the London Stock Exchange will be granted on or around 29 May 2008 subject to the issue of the Bonds. It is expected that dealings in the Bonds will commence on 30 May 2008.

The listing of the Bonds on the London Stock Exchange will be expressed in sterling as a percentage of their principal amount (exclusive of accrued interest). Transactions will normally be effected for settlement in sterling for delivery on the third London business day after the date of the transaction.

### **2. Authorisation**

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The creation and issue of the Bonds has been authorised by a resolution of the Board of Directors of the Issuer dated 6 May 2008 and by a resolution of a duly authorised committee of the Board of Directors of the Issuer dated 14 May 2008.

### **3. Expenses**

The Issuer estimates that the amount of expenses related to the issue of the Bonds will be up to £600,000.

### **4. Clearing**

The Bonds have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems. The Common Code for the Bonds is 036471042. The International Securities Identification Number for the Bonds is XS0364710425. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L- 1855, Luxembourg.

### **5. Rating**

It is expected that, when issued, the Bonds will be assigned an "A+" rating by Standard & Poor's, a division of the McGraw-Hill Companies, Inc. and a "A1" rating by Moody's Investors Services, Inc.

A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the relevant rating agency.

### **6. Governmental, Legal or Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) during the 12 months before the

date of this Offering Circular, which may have, or have had in the recent past, significant effects on the Issuer's and/or the Group's financial position or profitability.

## **7. Financial and Trading Position**

There has been no material adverse change in the prospects of the Issuer and its subsidiaries taken as a whole since 31 March 2008 nor has there been any significant change in the financial or trading position of the Issuer and its subsidiaries taken as a whole since 31 March 2008.

## **8. Financial Information**

The consolidated financial statements of the Issuer for the years ended 31 March 2007 and 31 March 2008 have been audited, without qualification, by Ernst & Young LLP of One More London Place, London SE1 2AF, who are registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.

## **9. Principal Objects**

The Memorandum of Association of the Issuer provides that its principal objects are:

- (A) (1) To undertake and carry on the business of an investment holding company.
  - (2) To invest the capital and other moneys of the Company in the purchase of shares, stocks, debentures, debenture stocks, bonds, bills, certificates, notes, mortgages, obligations, options, warrants, coupons, futures contracts (including financial futures) and securities (or any right or interest therein) of any kind issued or guaranteed by any company, corporation or undertaking of whatever nature and wheresoever constituted or carrying on business, and shares, stocks, debentures, debenture stocks, bonds, bills, certificates, notes, currency, mortgages, obligations, options, warrants, coupons, futures contracts (including financial futures) and securities (or any right or interest therein) of any kind issued or guaranteed by any government, state, dominion, colony, sovereign ruler, commissioners, trust, public, municipal, local or other authority or body of whatsoever nature, whether at home or abroad.
  - (3) To acquire any such shares, stocks, debentures, debenture stocks, bonds, bills, certificates, notes, currency, mortgages, obligations, options, warrants, coupons, futures contracts (including financial futures) and securities (or any right or interest therein) by subscription, syndicate participation, tender, purchase, exchange or otherwise, and to subscribe for the same, either conditionally or otherwise, and to guarantee the subscription thereof and to exercise and enforce all rights and powers conferred by or incidental to the ownership thereof.
- (B) To acquire any estate or interest in and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or

any part of the undertaking, assets and liabilities of any person and to act as a holding company.

- (C) To provide and procure services of all descriptions.
- (D) To lend money, and grant, provide or procure credit and financial accommodation, to any person and to deposit money with any person.
- (E) To invest money of the Company in any investments and to hold, sell or otherwise deal with such investments or currencies or other financial assets including (without prejudice to the generality of the foregoing) to engage in stock lending.
- (F) To enter into any arrangements with any government or authority or person and to obtain from any such government or authority or person any legislation, orders, rights, privileges, franchises, contracts and concessions.
- (G) To borrow and raise money and accept money on deposit and to secure or discharge any debt or obligations in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by the creation and issue of securities.
- (H) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of and any premiums, interest, dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality of the foregoing) any company which is for the time being a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company.
- (I) To amalgamate or enter into partnership or any profit-sharing arrangement with, or to co-operate or participate in any way with, or to take over or assume any obligation of, or to assist or subsidise any person.
- (J) To sell, exchange, mortgage, charge, let, grant licences, easements, options, servitudes and other rights over, and in any other manner deal with, or dispose of, all or any part of the rights, undertaking, property and assets (present and future) of the Company for any consideration and in particular (without prejudice to the generality of the foregoing) for any securities or for a share of profit or a royalty or other periodical or deferred payment.
- (K) To issue and allot securities of the Company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the Company or any services rendered to the Company or as security for any

obligation or amount (even if less than the nominal amount of such securities) or for any other purpose.

- (L) To give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of, any securities of the Company or in or about the formation of the Company or the conduct or course of its business, and to establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to carry on the business of company, fund, trust or business promoters or managers and of underwriters or dealers in securities, and to act as director of and as secretary, manager, registrar, financial or technical adviser or transfer agent for any other company and to act as trustees of any kind and to undertake and execute any trust.
- (M) To pay or contribute towards the payment of the costs, charges and expenses incurred in establishing and maintaining any scheme in which the Company participates for encouraging or facilitating the investment in, the holding of, or the reinvestment of any dividends or interest declared or paid by the Company or any other company in, the shares of the Company or any other company within the scheme, by or for the benefit of shareholders, stockholders and debentureholders of the Company, the Company or any other company within the scheme or otherwise howsoever.
- (N) To pay all the costs, charges and expenses preliminary or incidental to the promotion, formation, establishment and incorporation of the Company, and to procure the registration or incorporation of the Company in or under the laws of any place outside England.
- (O) To grant or procure the grant of donations, gratuities, pensions, annuities, emoluments or other allowances or benefits, including benefits on death, to, or purchase and maintain any type of insurance for or for the benefit of, any directors, officers or employees or former directors, officers or employees of the Company or any company which at any time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or of any predecessor in business of any of them, and to the relations, connections or dependants of any such persons, and to other persons whose service or services have directly or indirectly been of benefit to the Company or who the Board of Directors of the Company considers have any moral claim on the Company or to their relations, connections or dependants, and to establish or support any funds, trusts, insurances or schemes or any associations, institutions, clubs, schools, building and housing schemes, funds and trusts, and to make payments towards insurances or other arrangements likely to benefit any such persons or otherwise advance the interests of such persons or the Company or of its Members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly, to further the interests of such persons or the Company or of its Members or for any national, charitable, benevolent, educational, social, public, general or useful object.



- (P) To create, maintain, invest and deal with any reserve or sinking funds for redemption of shares or obligations of the Company, or for depreciation of any asset or for any other purpose of the Company.
- (Q) To cease carrying on or wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory.
- (R) To distribute any of the property of the Company among its creditors and Members or any class of either in cash, specie or kind.
- (S) To do all or any of the things or matters aforesaid in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.
- (T) To carry on any other activity and do anything of any nature which in the opinion of the Board of Directors of the Company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the Company's undertaking, property or assets or otherwise to advance the interests of the Company or of its Members.
- (U) To do all such other things as in the opinion of the Board of Directors of the Company are or may be incidental or conducive to the attainment of the above objects or any of them.

In this paragraph 9 "Company" shall mean the Issuer and "company", except where used in reference to the Company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, domiciled or resident in the United Kingdom or elsewhere, "person" shall include any company as well as any other legal or natural person, "securities" shall include any fully, partly or nil paid or no par value share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, "and" and "or" shall mean "and/or" where the context so permits, "other" and "otherwise" shall not be construed ejusdem generis where a wider construction is possible, and the objects specified in the different paragraphs of this clause shall not, except where the context expressly so requires, be in any way limited or restricted by reference to or inference from the terms of any other paragraph or the name of the Company or the nature of any trade or business carried on by the Company, or by the fact that at any time the Company is not carrying on any trade or business but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of the said paragraphs defined the objects of a separate, distinct and independent company.

The objects are set out in clause 4 of the Memorandum of Association.

## **10. Material Contracts**

Set out below is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Issuer or any member of the Group is a

party, which contains a provision that could result in any member of the Group being under an obligation or entitlement which is material to the Issuer's ability to meet its obligations to the Bondholders in respect of the Bonds.

### ***Contracts relating to the Bonds***

The following contracts directly concerning the issue of the Bonds have been entered into by a member of the Group immediately preceding the publication of this Offering Circular or will, shortly after the date of this Offering Circular, be entered into by a member of the Group and are, or may be, material:

- (A) the Trust Deed dated 29 May 2008 between the Issuer and The Law Debenture Trust Corporation p.l.c., as Trustee, inter alia, constituting the Bonds and appointing the Trustee to act in that capacity and under which such commission in respect of the services of the Trustee as shall be agreed between the Issuer and the Trustee is to be paid;
- (B) the Paying and Conversion Agency Agreement dated 29 May 2008 between the Issuer, Citibank N.A., London Branch, the Trustee and others setting out, inter alia, the terms of appointment and duties of Citibank N.A., London Branch in its capacity as Principal Paying and Conversion Agent and under which such commissions in respect of the services of the agents as shall be agreed between them and the Issuer are to be paid; and
- (C) the Subscription Agreement.

### ***Other Agreements***

The ISDA Master Agreements dated as of 15 May 2008 between the Issuer and each of the Joint Lead Managers, in each case pursuant to which the Issuer has (i) bought certain call options relating to the Ordinary Shares from the Joint Lead Managers and (ii) sold certain call options relating to the Ordinary Shares to the Joint Lead Managers in connection with the obligations of the Issuer in the event that Bondholders exercise their Conversion Rights in respect of the Bonds.

## **11. Documents on Display**

Copies of the following documents may be inspected during normal business hours at the offices of the Issuer during the 12 months starting on the date on which this Offering Circular is made available to the public as required by the Offering Circular rules made by the Financial Services Authority:

- (i) the Memorandum and Articles of Association of the Issuer;
- (ii) the 2007 Financial Statements and Audit Report and the 2008 Annual Report Extract; and
- (iii) the Subscription Agreement, the Agency Agreement and the Trust Deed.

In addition, this Offering Circular is also available at the website of the Regulatory News Service operated by the London Stock Exchange at:  
<http://www.londonstockexchange.com/en-gb/pricenews/marketnews>.

The Issuer does not intend to provide any post issuance information.

## **ADDITIONAL DEFINITIONS**

“Board of Directors”	the board of directors of the Issuer
“Companies Act”	the United Kingdom Companies Act 1985, as amended and as re-enacted by the Companies Act 2006
“Companies Act 1985”	the United Kingdom Companies Act 1985, as amended
“Companies Act 2006”	the United Kingdom Companies Act 2006, as amended
“Directors”	the Executive Directors and the Non-executive Directors
“Executive Directors”	the executive directors of the Issuer
“Non-executive Directors”	the non-executive directors of the Issuer
“Official List” or “Official List of the UKLA”	the official list maintained by the UKLA for the purposes of Part VI of the FSMA
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “U.S.”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

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**The Law Debenture Trust Corporation p.l.c.**

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**JOINT LEAD MANAGERS**

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