

Offering Circular Dated 27 May 2011

# DERWENT LONDON

## DERWENT LONDON CAPITAL (JERSEY) LIMITED

*(incorporated with limited liability in Jersey with registered number 108098)*

**£175,000,000**

**2.75 per cent. Guaranteed Convertible Bonds due 2016**

**Unconditionally and irrevocably guaranteed by**

**DERWENT LONDON PLC**

*(incorporated with limited liability in England with registered number 1819699)*

*Joint Global Coordinators and Bookrunners*

**J.P. Morgan**

**RBS Hoare Govett**

*Joint Bookrunners*

**HSBC**

**UBS Investment Bank**

This Offering Circular comprises listing particulars given 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 £175,000,000 2.75 per cent. Guaranteed Convertible Bonds due 2016 (the “Bonds”) of Derwent London Capital (Jersey) Limited (the “Issuer”) to be admitted to the official list maintained by the UKLA for the purposes of Part VI of the FSMA (the “Official List”) and to be admitted to trading on the Professional Securities Market of the London Stock Exchange plc (the “London Stock Exchange”). The Professional Securities Market is an unregulated market for the purposes of Directive 2004/39/EC (the Markets in Financial Instruments Directive). Derwent London plc (the “Company” or the “Guarantor”) has undertaken to apply to have the ordinary shares of the Guarantor (the “Ordinary Shares”) issuable upon conversion of the Bonds admitted to the Official List of the UKLA and admitted to trading on the Regulated Market of the London Stock Exchange. This Offering Circular is to be read in conjunction with all of the documents which are incorporated by reference herein (see “*Presentation of Information – Documents incorporated by reference*”).

The Guarantor and its subsidiaries (as defined in Section 1159 of the Companies Act 2006) taken as a whole are referred to in this Offering Circular as the “Group”. The Guarantor will unconditionally and irrevocably guarantee the due and punctual payment of all amounts at any time becoming due and payable in respect of the Bonds and the due and punctual performance by the Issuer of all of the Issuer’s other obligations in respect of the Bonds (the “Guarantee”).

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular. The Issuer and the Guarantor confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect its import.

Neither the Issuer nor the Guarantor has authorised the making or provision of any representation or information regarding the Issuer, the Guarantor, the Bonds, the Preference Shares (as defined below) or the Ordinary Shares other than as contained in this Offering Circular or as approved for such purpose by the Issuer and the Guarantor. Any such representation or information should not be relied upon as having been authorised by the Issuer, the Guarantor or the Managers (as defined in “*Subscription and Sale*”).

This Offering Circular (including the information incorporated by reference herein) 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 Guarantor, HSBC Corporate Trustee Company (UK) Limited (the “Trustee”) or the 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 and the Guarantor. None of the Issuer, the Guarantor, the Trustee, the Managers, or any of their respective representatives, is making any representation to any offeree or purchaser of the Bonds regarding the legality of an investment in the Bonds by such offeree or purchaser under the laws applicable to such offeree or purchaser. Each investor should consult with his or her own advisers as to the legal, tax, business, financial and related aspects of a purchase of the Bonds.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of the Bonds shall in any circumstances constitute a representation or create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the affairs or condition (financial or otherwise) of the Issuer or the Guarantor since the date of this Offering Circular or that the information contained in this Offering Circular is correct as at any time subsequent to its date.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantor or the Managers to subscribe or purchase, any Bonds, Preference Shares (as defined below) or Ordinary Shares.

The Bonds, the Guarantee, the guarantee by way of deed poll provided by the Guarantor in respect of the Preference Shares, the Preference Shares and the Ordinary Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “Securities Act”). The Bonds are being offered outside the United States by the Managers in accordance with Regulation S under the Securities Act (“Regulation S”), and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Bonds will be in registered form and issued in principal amounts of £100,000 each. The Bonds will be represented by a global bond in registered form (the “Global Bond”), without interest coupons, which will be deposited on or around the Closing Date with a common depositary for, and registered in the name of a common nominee of, Euroclear Bank S.A./N.V. (“Euroclear”) or Clearstream Banking, *société anonyme* (“Clearstream, Luxembourg”). The Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for definitive Bonds in registered form (“Definitive Registered Bonds”). See “*Summary of Provisions Relating to the Bonds while in Global Form*”.

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, the Guarantor and the 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 restrictions on offers, sales and deliveries of Bonds and on distribution of this Offering Circular and other offering material relating to the Bonds, see “*Subscription and Sale*”.

In connection with the offering of the Bonds, each of the Managers and/or its affiliates may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantor or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering. Accordingly, references herein to the Bonds being offered should be read as including any offering of Bonds to the Managers and/or 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.

The Managers have not separately verified the information contained in this Offering Circular. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Managers as to the accuracy or completeness of the information contained in this Offering Circular or any other information supplied in connection with the Bonds, the Preference Shares or the Ordinary Shares. Each person receiving this Offering Circular acknowledges that such person has not relied on the Managers in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own examination of the Issuer and the Guarantor and the merits and risks involved in investing.

The Jersey Financial Services Commission (the “Commission”) has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Bonds by the Issuer and under Article 2 of the Control of Borrowing (Jersey) Order 1958 to the issue of the Preference Shares by the Issuer. The Commission has also given, and has not withdrawn, its consent under Article 1 of the Control of Borrowing (Jersey) Order 1958 to the Guarantor raising monies in Jersey by the issue of the Ordinary Shares and to the circulation in Jersey of this Offering Circular by the Guarantor. The Commission is protected by the Control of Borrowing (Jersey) Law 1947 against liability arising from the discharge of its functions under that Law. A copy of this Offering Circular has been delivered to the Jersey registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and not

withdrawn, his consent to its circulation. It must be distinctly understood that, in giving these consents, neither the Jersey registrar of companies nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

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## **PRESENTATION OF INFORMATION**

### **Presentation of financial information**

The Guarantor is obliged to prepare consolidated financial statements for the Group in accordance with International Financial Reporting Standards.

The consolidated financial statements of the Guarantor have been audited without qualification for the two financial years ended 31 December 2010 by BDO LLP, registered by the Institute of Chartered Accountants in England and Wales to carry out audit work. Unless otherwise indicated, the audited financial information as at and for the years ended 31 December 2009 and 31 December 2010 in this Offering Circular has been extracted without material adjustment from the Guarantor's consolidated financial statements for the years ended 31 December 2009 and 31 December 2010 (the "Financial Statements").

### **Documents incorporated by reference**

This Offering Circular should be read and construed in conjunction with the Financial Statements, which have been previously published and which have been filed with the Financial Services Authority. 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.

Where documents incorporated by reference themselves incorporate information by reference, such information does not form 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 Company.

### **Currency**

In this Offering Circular, references to "sterling" or "£" are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland (the "United Kingdom"). Unless otherwise stated, the financial information contained in this Offering Circular has been expressed in sterling.

### **Forward-looking statements**

Certain statements contained in this Offering Circular are forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "intends", "may", "will" or "should" or in each case, their negative, or other variations or comparable terminology. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Group, or industry results, to 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, industry trends, competition, changes in government regulation, currency fluctuations, the Group's ability to implement its expansion plans and achieve cost reductions and efficiency measures, 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 Guarantor 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, the Guarantee, the Preference Shares, the Ordinary Shares and the Trust Deed and is qualified by the more detailed information contained 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>	Derwent London Capital (Jersey) Limited.
<b>Guarantor</b>	Derwent London plc.
<b>Bonds</b>	£175,000,000 2.75 per cent. Guaranteed Convertible Bonds due 2016.
<b>The Offering</b>	The Bonds are being offered by the Managers outside the United States in accordance with Regulation S under the United States Securities Act of 1933.
<b>Issue Date</b>	2 June 2011 (the “Closing Date”).
<b>Issue Price</b>	100 per cent. of the principal amount of the Bonds.
<b>Final Maturity</b>	Unless previously purchased and cancelled, redeemed or converted, the Bonds will be redeemed on 15 July 2016 (the “Final Maturity Date”) at their principal amount.
<b>Form and Denomination</b>	The Bonds will be in registered form and issued in principal amounts of £100,000 each. The Bonds will be represented by a global bond in registered form (the “Global Bond”), without interest coupons, which will be deposited on or around the Closing Date with, and registered in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg. The Global Bond will be exchangeable in certain limited circumstances in whole, but not in part, for Definitive Registered Bonds.
<b>Interest</b>	The Bonds bear interest from and including 2 June 2011 at 2.75 per cent. per annum payable semi-annually in equal instalments in arrear on 15 January and 15 July each year, save that the first payment of interest will be made on 15 January 2012 in respect of the period from (and including) the Closing Date to (but excluding) 15 January 2012 and the amount of interest payable in respect of each £100,000 principal amount of Bonds on such date will be £1,710.27.
<b>Status of the Bonds</b>	The Bonds constitute direct, unconditional, senior, unsubordinated, and (subject to Condition 2) unsecured obligations of the Issuer and rank <i>pari passu</i> and rateably without preference among themselves. The obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable laws that are mandatory and of general application and subject to Condition 2, at all times rank at least equally with all its present and future unsecured and unsubordinated obligations.



<b>Yield</b>	2.75 per cent. per annum. The yield is calculated on the Closing Date on the basis of the Issue Price. It is not an indication of future yield.
<b>Guarantee of the Bonds</b>	The Guarantor will in the Trust Deed unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds and the due and punctual performance by the Issuer of all of the Issuer's other obligations in respect of the Bonds.
<b>Status of the Guarantee</b>	The Guarantee will constitute a direct, unconditional, unsubordinated and (subject to Condition 2) unsecured obligation of the Guarantor and shall, save for such exceptions as may be provided by applicable laws that are mandatory and of general application and subject to Condition 2, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
<b>Negative Pledge</b>	So long as any Bond remains outstanding, the Issuer and the Guarantor will not, and the Guarantor will procure that none of its Principal Subsidiaries will, create or permit to subsist any Security upon the whole or any part of their respective undertakings, assets or revenues, present or future, to secure any of the Issuer's or the Guarantor's Relevant Debt, and the Guarantor will procure that no member of the Group gives any guarantee of or indemnity in respect of any of the Issuer's or the Guarantor's Relevant Debt issued after the Closing Date, as the case may be, subject to the exceptions in Condition 2. See " <i>Terms and Conditions of the Bonds – Negative Pledge</i> ".
<b>Cross-Default</b>	The Bonds will contain a cross-acceleration provision, subject to a threshold of £10,000,000, as further described in " <i>Terms and Conditions of the Bonds – Events of Default</i> ".
<b>Other Events of Default</b>	For a description of certain other events that will permit the Bonds to be declared immediately due and payable at their principal amount, together with accrued interest, see " <i>Terms and Conditions of the Bonds – Events of Default</i> ".
<b>Redemption at the option of the Issuer</b>	The Bonds may be redeemed at the option of the Issuer in whole (but not in part only) at their principal amount together with accrued but unpaid interest to the date fixed for redemption (i) at any time on or after 30 July 2014 if on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not more than 14 days prior to the date on which the relevant Optional Redemption Notice is given to Bondholders, the value of the Ordinary Shares deliverable on conversion of a Bond in the principal amount of £100,000 shall have equalled or exceeded £130,000; or (ii) at any time if prior to the date on which the Optional Redemption Notice is given to Bondholders, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in

respect of 85 per cent. or more in principal amount of the Bonds originally issued, in each case as set out in “*Terms and Conditions of the Bonds – Redemption at the Option of the Issuer*”.

**Redemption at the option of Bondholders upon a Change of Control**

The Issuer will, following the occurrence of a Change of Control and at the option of the holder of any Bond, redeem such Bond on the Change of Control Put Date at its principal amount together with interest accrued and unpaid to the date fixed for redemption, subject to the relevant notice provisions as set out in “*Terms and Conditions of the Bonds – Redemption at the Option of Bondholders upon a Change of Control*”.

**Taxation**

All payments by or on behalf of the Issuer or the Guarantor in respect of the Bonds shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Jersey or the United Kingdom or any political subdivision or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer or the Guarantor shall subject to certain exceptions set out in Condition 9 be required to pay any additional amounts to Bondholders to compensate for such withholding or deduction.

**Tax Redemption**

The Bonds may be redeemed at the option of the Issuer in whole (but not in part only) at their principal amount together with accrued but unpaid interest to the date fixed for redemption in the event of certain changes in Jersey or United Kingdom law affecting the Bonds. However, in such circumstances, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed in such circumstances and, to the extent that such election is made, the Issuer and/or Guarantor shall not be obliged to pay additional amounts in respect of payments of interest under such Bonds after the date fixed for such redemption, as set out in “*Terms and Conditions of the Bonds – Redemption for Taxation Reasons*”.

**Conversion Rights**

Unless previously redeemed or purchased and cancelled, each Bond will be convertible, at the option of the holder, into Preference Shares of the Issuer during the Conversion Period and all such Preference Shares shall be exchanged immediately as described below. Each Bond is convertible into one Preference Share with a Paid-up Value of £100,000. The Issuer will procure that the Preference Shares arising on conversion of the Bonds will be exchanged for Ordinary Shares. The number of Ordinary Shares to be issued will be determined by dividing the aggregate Paid-up Value of the Preference Shares issued on conversion of the Bonds by the Exchange Price in effect on the relevant Conversion Date, and if necessary rounding down to the nearest whole number of Ordinary Shares. See “*Terms and Conditions of the Bonds – Conversion of Bonds*”.

<b>Conversion Period</b>	<p>The period beginning on and including 13 July 2011 and ending on and including the earlier to occur of:</p> <ol style="list-style-type: none"> <li>(1) the close of business on the date falling seven days prior to the Final Maturity Date; and</li> <li>(2) if the Bonds shall have been called for redemption by the Issuer before the Final Maturity Date, the close of business on the seventh day before the date fixed for redemption.</li> </ol> <p>Conversion Rights may be exercised prior to 13 July 2011 in the event of a Change of Control. See “<i>Terms and Conditions of the Bonds – Redemption at the Option of Bondholders upon a Change of Control</i>”.</p>
<b>Exchange Price</b>	£22.22 per Ordinary Share, subject to adjustment in accordance with the Articles of the Issuer.
<b>Exchange Price upon Change of Control</b>	In the event of a Change of Control, the Exchange Price will be adjusted downwards for a specified period as described in the Articles of the Issuer.
<b>Ordinary Shares</b>	The Ordinary Shares to be delivered following conversion and delivery of the Preference Shares to the Guarantor will be delivered credited as fully paid, having, on the date hereof, a nominal value of £0.05 each and will rank <i>pari passu</i> in all respects with all fully paid Ordinary Shares in issue on the relevant Conversion Date, save as provided in “ <i>Terms and Conditions of the Bonds</i> ”.
<b>Preference Shares</b>	Exchangeable redeemable preference shares of the Issuer with a nominal value of 1 pence (£0.01) each and a Paid-up Value of £100,000 each (the “Preference Shares”). One Preference Share will be issued upon conversion of each £100,000 principal amount of Bonds converted.
<b>Further Issues</b>	The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debt securities either having the same terms and conditions as any of its outstanding debt securities (including the Bonds) in all respects (or in all respects except for the first payment of interest on them and the first date on which conversion rights may be exercised) so that such further issue shall be consolidated and form a single series with any of its outstanding debt securities (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. See “ <i>Terms and Conditions of the Bonds – Further Issues</i> ”.
<b>Use of Proceeds</b>	The Group intends to use the net proceeds of the offering to help fund its development pipeline and increase resources for future acquisition opportunities whilst also taking advantage of current favourable market conditions to diversify its medium-term sources of finance.
<b>Lock Up</b>	The Issuer and the Guarantor have, subject to certain exceptions,

agreed not to issue or sell Ordinary Shares or certain related securities for a limited period after the Closing Date. See “*Subscription and Sale*”.

<b>Trustee</b>	HSBC Corporate Trustee Company (UK) Limited
<b>Principal Paying, Transfer and Conversion Agent</b>	HSBC Bank plc
<b>Registrar</b>	HSBC Private Bank (C.I.) Limited, Jersey Branch
<b>Governing Law</b>	The Bonds and the Trust Deed will be governed by, and shall be construed in accordance with, English law.
<b>Listing and Trading</b>	Applications have been made for the Bonds to be admitted to listing on the Official List of the UKLA and to trading on the Professional Securities Market of the London Stock Exchange. The Guarantor has undertaken to apply to have the Ordinary Shares issuable upon conversion of the Bonds admitted to listing on the Official List of the UKLA and admitted to trading on the Main Market of the London Stock Exchange. The Preference Shares will not be listed on any exchange.
<b>Clearing</b>	<p>The Bonds have each been accepted for clearing by Euroclear and Clearstream, Luxembourg. The Bonds have the following Common Code and International Securities Identification Number (“ISIN”):</p> <p>Common Code: 062810211</p> <p>ISIN: XS0628102112</p>
<b>Selling Restrictions</b>	There are restrictions on the offer, sale and delivery of the Bonds, <i>inter alia</i> , in the United States, the United Kingdom and Jersey. See “ <i>Subscription and Sale</i> ”.

## 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 or the Guarantor, 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 or the Ordinary Shares 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 and the Guarantor face. Each of the Issuer and the Guarantor has described only those risks relating to its operations that it considers to be material. There may be additional risks that they currently consider not to be material or of which they are 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. An investment in the Bonds is suitable only for sophisticated investors who have sufficient financial resources to sustain any losses from such investment and who are in a position to commit funds for a considerable period of time. Prospective investors should consider, among other things, the following:*

### **A) Risks relating to the Issuer and the Guarantor**

#### **1 The Group is exposed to the cyclical property market, which has recently experienced a downturn, and the wider economy generally**

The value of the Group’s portfolio is dependent on general economic conditions as well as the condition of the commercial property markets. Deteriorating economic conditions adversely affect the value of the Group’s property assets.

As at 31 December 2010, all of the Group’s property portfolio was represented by properties located in the UK (and 95 per cent. of the portfolio, by property value, was represented by properties located in central London). The commercial real estate market in the UK, and thus the rental revenues generated by, and property values of, the Group’s properties are affected by the economic climate in the UK as well as the global economic climate. Factors affecting these economic conditions include, but are not limited to:

- global and national availability of credit for businesses and consumers;
- the success of fiscal and monetary policies in stabilising economic conditions;
- changes in government legislation, political developments including changes in regulatory or tax regimes, increases in unemployment and related declines in consumer spending;
- infrastructure quality, financial performance and the productivity of industries located in these countries, relocations or insolvency of tenant businesses; and
- armed conflicts or terrorist attacks.

The real estate market in the UK has, for example, been recently adversely impacted by the global banking crisis, with property values, including the value of commercial property, demonstrating substantial declines. Although commercial property values in central London have to an extent recovered since the global banking crisis, any subsequent decline in the performance of the UK economy or the UK commercial property markets could further impact the value of commercial property in London and the UK and could also negatively impact rental levels, the number of tenant defaults and the Group's vacancy rates.

In addition, as a result of the concentration of the Group's property portfolio in central London, any act of terrorism or threat of terrorism within London which negatively impacts on the London commercial property market or which results in damage or loss to any property within the Group's portfolio could have a significant impact on the Group's operations and financial position.

As a result of the above or other factors, the Group's ability to maintain or increase the occupancy levels of its properties through the execution of leases with new tenants and the renewal of leases with existing tenants, as well as its ability to increase rents over the longer term, may be adversely affected. In particular, non-renewal of existing leases or early termination by significant existing tenants in the Group's office portfolio would result in a significant decrease in the Group's net rental income. If the Group's net rental income declines, it would have less cash available to service and repay its indebtedness and the value of its properties would decline as well. In addition, significant expenditures associated with each property, such as taxes, service charges and maintenance costs, are generally not reduced in proportion to any decline in rental revenue from that property. If rental revenue from a property declines while the related costs do not decline, the Group's income (and therefore profits) and cash receipts could be materially adversely affected.

In addition, given the cyclical and uncertain nature of the UK commercial property market and its dependency on economic conditions and external factors generally, there can be no guarantee that the Group's property development strategy and programme is representative of, or best placed to take advantage of, any rise or fall in the value of the UK commercial property market. Depending on the size and focus of its development programme from time to time, the Group may therefore be more adversely affected by any downturn in the economy or the UK commercial property market than its competitors.

## **2 Events which damage or diminish London's status as a global financial and business centre could affect the Group's ability to let vacant space and reduce the value of the Group's properties**

The Group's property portfolio primarily consists of commercial office and retail premises in London, with the majority of the portfolio represented by office space (as at 31 December 2010, 95 per cent. of its portfolio, by property value, was located in central London and 82 per cent. of the portfolio, by weighted rental income, was represented by office premises). As a result of this concentration, the value of the Group's current and future office portfolio and its rental incomes may be adversely affected by events which damage or diminish London's status as a global financial and business centre, such as a reduction in London's attractiveness to skilled persons as a result of regulation, taxation or otherwise, an increase in costs or other adverse changes in the regulatory environment for financial services, acts of terrorism, economic recession or otherwise. If London's status as a global financial and business centre were damaged or diminished, tenant demand for commercial office space in London could decrease. The resulting increase in vacancies in the market could reduce the ability of the Group to let vacant space, reduce the rental values achievable in respect of commercial property and cause London property values to decrease, which could have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

## **3 The cost of finance could increase or financing could cease to be available**

The ability of the Group to operate its business depends in part on being able to raise funds. The Group's access to debt financing depends on lenders' willingness to lend and on conditions in the capital markets

generally. There can be no assurance that, over the longer term, the Group will be able to find lenders who are willing to lend on no worse terms than the Group's existing financing arrangements, or at all, or that existing financing arrangements of the Group will be able to be refinanced on no worse terms, or at all, upon maturity. An increase in its "loan to value" ratio, for example as a result of reductions in property values, would be one factor which could restrict the Group's ability to arrange such financing or refinancing as the Group's properties would support a lower level of borrowing. Equally, a reduction in the "interest cover" ratio could have the same effect.

In addition, if lower credit ratings were ascribed by the ratings agencies to the long-term debt of the Group, this may also increase the costs of funding, affect the Group's ability to raise new funding in the longer term and reduce its access to capital markets.

An increase in the cost, or lack of availability, of finance (whether for macroeconomic reasons, such as a lack of liquidity in debt markets or the inability of a financing counterparty to honour pre-existing lending arrangements, or reasons specific to the Group, or credit rating volatility) could impact both on the ability to progress capital investment opportunities necessary to deliver the rates of return expected by investors and on the day to day financing (or refinancing) requirements of the Group's business over the longer term.

#### **4 A breach of any of the covenants in the Group's credit facilities could result in the acceleration of the Group's obligations to repay borrowings or their cancellation**

If the Group were to fail to comply with any of the financial covenants in its credit facilities (due, for example, to deterioration in financial performance or falls in asset valuations), it could result in acceleration of the Group's obligations to repay its borrowings or cancellation of its credit facilities in the longer term.

The Group could be forced to sell assets under potentially unfavourable conditions in order to provide capital to avoid a breach of a financial covenant or default under existing credit facilities. Lenders would also be able to enforce their security over some of the Group's assets and make a demand on any guarantees given in respect of the credit facilities. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition and future prospects.

#### **5 Operating and other expenses may increase due to factors beyond the Group's control**

The Group's operating and other expenses may increase due to factors beyond its control. Such factors may include inflation, payroll expenses, taxation, changes in laws and regulations, insurance premiums, maintenance costs, interest rates, defects relating to properties which need to be remedied, third party claims, failure to perform by sub-contractors and/or increases in sub-contractor prices. Increases in the Group's operating and other expenses, without a corresponding increase in turnover or tenant reimbursements, could have a material adverse effect on the Group's business, financial position and future prospects.

#### **6 The Group may be unable to let a property or re-let a property following the expiry of a tenancy**

The ability of the Group to attract new tenants will depend on demand for space at the relevant property and on the regional economy in the relevant catchment area, which can be influenced by a number of factors. Rental levels and the affordability of rents, the size and quality of the building, the amenities and facilities offered, the convenience, location and local environment of the relevant property, the amount of competing space available, the transport infrastructure, the other tenants renting adjacent and nearby properties and the age and facilities of the building in comparison with the alternatives are all examples of factors which influence tenant demand. Similarly, changes to the infrastructure, demographics, planning regulations and economic circumstances relating to the surrounding areas on which the relevant property depends for its tenant base may adversely affect the demand for such property.

Further, there can be no assurance that the Group's tenants will renew their leases at the end of their current tenancies or, if they do not, that new tenants of equivalent standing (or any new tenants) will be found to take up replacement leases. This is particularly the case where a property requires refurbishment or redevelopment following the expiry of a tenancy. Tenants with the benefit of contractual break rights may also exercise these to bring the lease to an end before the contractual termination date. During void periods, the Group will suffer a rental shortfall and incur additional expenses until the property is re-let. Even if tenant renewals or replacements are effected, there can be no assurance that such renewals or replacements will be on terms (including rental levels and rent review terms) that are as favourable to the Group as before or that new tenants will be as creditworthy as previous tenants.

**7 Future developments and acquisitions may be limited by the failure to identify and acquire suitable property and difficulties in obtaining planning permissions**

Future developments and acquisitions may be limited by the Group's ability to identify and acquire suitable property at satisfactory prices. In addition, the Group is likely to face competition from a variety of other potential purchasers in identifying and acquiring suitable properties. Planning permission for developments may be delayed or refused or granted on onerous terms (including requirements to make contributory payments to local authorities or carry out infrastructure works as part of the authorised development). Refusal of planning permission will result in a development not proceeding as originally intended and significant abortive costs may have been incurred by the Group. Delays in obtaining planning permission could result in developments not being progressed in a timely manner or at significant additional cost, which could impact the development rate of return. The success or failure of a development will rely, from the outset, on the grant of satisfactory planning permission. Failure to acquire suitable properties or to obtain planning permission in a timely manner could have a material adverse effect on the Group's business, financial condition and future prospects.

**8 There could be delays and cost overruns on development or refurbishment projects**

There can be no assurance that any developments or refurbishments undertaken by the Group will be completed on time or on budget. Any delays or cost overruns could be caused by a range of factors including, among others, an inability to properly control the design and construction programme, contractor failure or an inability of contractors to deliver to expected levels of capacity and capability, issues relating to third party rights (such as requirements for consents) and additional works required by law or regulation relating to archaeological remains and/or listed buildings. In addition, there can be no assurance that developments or refurbishments will be free from defects once completed. Any such delays, cost overruns or defects may result in compensatory payments to be made by the Group and claims being made against the Group. While the Group may in some cases have onward claims against suppliers in these circumstances, it is not necessarily the case that full, or any recovery, would be possible or achieved in practice. In adverse market conditions, the final cost of a development may be significantly more than its market value on completion. Furthermore, developments may not become income producing to the extent expected and may instead remain or become a net drain on the Group's resources.

**9 A key tenant could default and/or seek to renegotiate terms during the course of a tenancy**

The Group is exposed to the credit risk of each of its tenants and the creditworthiness of its tenants can decline over the short term. Tenants may declare bankruptcy or become insolvent which may result in less rental income for the Group, delayed payments and/or costs or delay in taking enforcement or repossession action. The Group may not be able to secure a replacement tenant on favourable terms or at all for space vacated by such a tenant. Retail or office tenants and other occupiers may seek to renegotiate rental levels and payment terms (including, for example, moving from quarterly to monthly rental payments) and the level of retail voids experienced by the Group could increase. In addition, tenants with the benefit of contractual break



rights may increasingly move to exercise these to bring their leases to an end before the contractual termination date. These or other factors could result in higher vacancy rates, lower rental income, and revaluation losses on the value of the Group's investment properties, or otherwise have a material adverse effect on the Group's business, financial condition and future prospects.

**10 Rent reviews could be lower than expected and there could be changes to landlord and tenant legislation**

Rent reviews carried out in respect of leases of properties of the Group may fail to meet expectations, which could have an adverse impact on the future performance of the Group. Failure to meet expectations in rent review negotiations could be as a result of changing trends in the market among other reasons.

There is a risk that legislation could be introduced to regulate all commercial leases which could impact rental incomes, property values and tenant rights in ways which cannot be foreseen. For example, legislation that restricts or prohibits upwards-only rent reviews could result in lower rental revenue receipts for the Group and could therefore have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

**11 The Group may lose key personnel or may be unable to recruit appropriately skilled personnel for key positions**

The Group's success depends to a large degree on the ability and experience of its senior management. The Group needs to attract and retain the services of these key employees to successfully execute its strategy. Were key personnel to depart, the Group may not be able to find effective replacements in a timely manner, or at all. The loss of any of these members of senior management, or any delay in replacing a departed member, may result in the loss of industry and property specific knowledge as well as relationships with lenders, potential tenants and industry personnel. In particular, the loss of key employees to competitors could have a material adverse effect on the Group's competitive position within the industry.

**12 The Group operates in a competitive environment**

The Group operates primarily in the competitive environment of the central London property market (and, in particular, in the West End). Such competition may lead to an oversupply of commercial property space through overdevelopment and refurbishments. Competitors include not only smaller, locally focused investors, but also other property portfolio companies, including funds that invest nationally and internationally, institutional investors and foreign investors. Competition may also cause difficulty in achieving rents in line with the Group's expectations and may result in increased pressure to offer new and renewing tenants financial and other incentives. The Group competes with a large number of real estate investors, owners and developers some of which may be willing to accept lower returns on their investments, may be less leveraged than the Group and have more liquidity with which to take advantage of acquisition opportunities, or may have properties that are better located with higher quality of facilities than the Group's properties. Such competition may adversely affect the Group's ability to maintain the occupancy levels at its properties, to maintain or grow rental income or to obtain tenants for its development projects.

**13 Property valuation is inherently subjective and uncertain and based on assumptions which may prove to be inaccurate or affected by factors outside of the Group's control**

The valuation of the Group's commercial real estate properties is inherently subjective due to, among other factors, the individual nature of each property, its location and the expected future rental revenues from that particular property. As a result, the valuations of the Group's commercial real estate properties, which account for the vast majority of the Group's assets, are subject to a degree of uncertainty and are made on the basis of

assumptions by the valuers, which may not prove to be accurate, particularly in periods of volatility or low transaction flow in the commercial property market.

The Group's property portfolio is valued on the basis of "Market Value" in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors. In determining Market Value, the valuers are required to make certain assumptions. These assumptions include but are not limited to matters such as the existence of willing buyers and willing sellers in uncertain market conditions, title, condition of structure and services, deleterious materials, plant and machinery and goodwill, environmental matters, statutory requirements and planning, leasing and other information. Such assumptions may prove to be inaccurate, which could negatively affect the value of the Group's commercial property assets and thereby have a material adverse effect on the Group's financial condition.

**14 The Group may be insufficiently insured against all losses, suffer uninsured losses or suffer material losses in excess of insurance proceeds**

The Group's properties could suffer damage resulting in losses (including loss of rent) which may not be fully compensated by insurance. In the event such a loss occurs, there can be no assurance that the insurance proceeds, if any, will fully cover the Group's loss with respect to the affected properties. In the event of an uninsured loss or a loss in excess of insured limits, the Group could lose capital invested in a property asset and future revenue income from that property. The Group could also be liable to repair any damage as well as remain liable for any debt or other financial obligation related to that property. There can therefore be no assurance that the Group is sufficiently and effectively insured against all contingencies.

**15 The Group is exposed to potential claims relating to its letting, selling and developing of real estate**

The Group may be subject to claims due to defects in quality relating to the development and letting of its properties (although the Group may also have rights against the building contractor/professional team in connection with such defects and/or recourse to any relevant latent defects insurance).

In addition, the Group may be exposed to substantial undisclosed or unascertained liabilities embedded in properties that were incurred or that arose prior to the completion of the Group's acquisition of such properties (and there can be no assurance that the Group would have obtained sufficient contractual protection against such claims and liabilities from the seller).

The Group may also be subject to claims by purchasers of its properties as a result of representations and warranties about those properties provided by the Group at the time of disposal. In addition, following the disposal of any property, the Group may be obligated under contract or by law to retain certain liabilities or potential liabilities that exist in respect of such assets, such as liabilities for environmental clean-up or remediation. There can be no assurance that the Group is sufficiently or effectively protected and/or insured against all such contingencies.

**16 The Group's consolidated balance sheet and income statement may be significantly affected by fluctuations in the fair market value of its properties as a result of revaluations**

In accordance with IAS 40, as adopted in the European Union, the Group's properties are independently revalued on a semi-annual basis, and any increase or decrease in the value of its properties is recorded as a revaluation gain or loss in the Group's consolidated income statement for the period during which the revaluation occurs. As a result, the Group can have significant non-cash revenue gains and losses from period to period depending on the change in fair market value of its properties, whether or not such properties are sold. A substantial decrease in the fair market value of its properties, over the longer term, would have a material adverse effect on the Group's business, financial condition and future prospects. The potential impact of the changes in the value of the Group's balance sheet are discussed in risk factor 13 above ("*Property*

*valuation is inherently subjective and uncertain and based on assumptions which may prove to be inaccurate or affected by factors outside of the Group's control").*

Moreover, the Group's borrowings or other leverage may increase the volatility of the Group's financial performance, and amplify the effect of any change in the valuation of the Group's assets on its financial position and results of operations.

**17 The market for the Group's properties is generally illiquid, and may result in low disposal prices or an inability to sell certain properties**

The Group's existing commercial properties, and those in which the Group may invest in the future, are relatively illiquid in that there may not be ready buyers available and willing to pay fair value at the time the Group desires to sell. Over the longer term, if the Group was required to liquidate parts of its property portfolio for any reason, including in response to changes in economic or commercial property market conditions, or as a result of the need to raise funds to support the Group's operations or to repay outstanding indebtedness, the Group may not be able to sell any portion of its portfolio on favourable terms or at all.

In the case of an accelerated sale or a sale required for compliance with covenants contained in the Group's debt instruments or in the event of a default under such debt instruments, there may be a significant shortfall between the carrying value of the property on the Group's consolidated balance sheet and the price that the Group would be able to achieve on the sale of such property, and there can be no assurance that the price obtained from such a sale would cover the book value of the property sold. Any such shortfall could have a material adverse effect on the Group's business, financial condition and future prospects. If the Group is unable to raise sufficient proceeds from the sale of such property, it risks, over the longer term, becoming insolvent or otherwise ceasing its operations.

**18 The Group is subject to various laws and regulations in the jurisdictions in which it operates and may face liabilities under such laws and regulations**

The Group is required to comply with various laws and regulations in the UK (and any other jurisdictions in which it may operate from time to time), including in relation to planning, environmental, fire, health and safety, tax, landlord and tenant and other matters. Compliance with these laws and regulations may impose significant compliance costs and restrictions on the Group. If the Group fails to comply with these laws and regulations, the Group may have to pay penalties or private damages awards. In particular, the laws and regulations concerning the protection of health and the environment can impose liability for cleaning up any contaminated land, watercourse or groundwater. The Group may therefore, in the course of its business, become responsible for the costs of removal, investigation or remediation of any hazardous or toxic substances that are located on or migrated to any relevant property (regardless of whether the group originally caused the contamination). Liabilities for these environmental risks could be significant and may also impact on the value of any property or the ability of the Group to sell or develop it.

In addition, changes in existing laws or regulations, or in their interpretation or enforcement (and, in particular, changes in any environmental laws or regulations) could result in the Group incurring additional or new liabilities, require the Group to incur additional costs in complying with those laws, or require changes to its investment strategy, operations or accounting and reporting systems, leading to additional costs and tax liabilities or loss of revenue, which could materially adversely affect the Group's business, financial condition and results of operations. For example, there could be changes in tenancy laws that limit the Group's recovery of certain property operating expenses, limiting the ability of the Group to review rent under its leases on an upwards-only basis, or altering the frequency of collection of rent, which is typically quarterly in advance. There could also be changes or increases in real estate taxes that cannot be recovered from the Group's tenants or changes in environmental laws that require significant capital expenditure.

## **19 A failure to meet the REIT compliance tests, or a change in the REIT legislation, could result in the Group leaving the REIT regime and incurring higher tax costs**

The Group cannot guarantee continued compliance with all of the UK REIT conditions and there is a risk that the UK REIT regime may cease to apply in some circumstances. HMRC may require the Group to exit the UK REIT regime if:

- it regards a breach of the conditions or failure to satisfy the conditions relating to the tax exempt business, or an attempt to avoid tax, as sufficiently serious;
- the Group has committed a certain number of minor or inadvertent breaches in a specified period; or
- HMRC has given the Group at least two notices in relation to the avoidance of tax within a 10-year period.

In addition, if the condition for REIT status relating to the share capital of the Guarantor or the prohibition on entering into loans with abnormal returns were breached, or the Guarantor ceases to be UK resident, becomes dual resident or an open-ended investment company, the Group would automatically lose REIT status. The Group could therefore lose its status as a REIT as a result of actions by third parties, for example following a successful takeover by a company that is not a REIT. Alternatively, the Group may voluntarily opt out of REIT status.

If the Group loses its REIT status, it will no longer be able to benefit from the provisions of the REIT regime, including the exemption from UK direct tax on the profits and gains arising from the Group's qualifying property rental business.

If the Group chose or were to be required to leave the REIT regime within 10 years of joining, this could result in the tax burden of the Group increasing and the size of dividends paid by the Guarantor being reduced.

Additionally, the Guarantor, as the principal company of a Group REIT, may become subject to an additional tax charge if it fails to take reasonable steps to avoid paying a dividend to a "Substantial Shareholder". In line with HMRC guidance, the Articles contain provisions designed to avoid the payment of such dividends. Such provisions include permitting the directors of the Guarantor to withhold the payment of any dividend on, or require the mandatory sale of, any shares forming part of a Substantial Shareholding (as defined in the Articles), and/or to require a Substantial Shareholder to pay the amount of any additional tax charge imposed on the Guarantor and all connected costs and expenses thereon if a dividend is paid to a Substantial Shareholder and an additional tax charge becomes payable. A Bondholder that is a body corporate should therefore take appropriate steps to ensure that, following the exercise of Conversion Rights, it does not have a Substantial Shareholding.

The REIT regime has existed in the UK since 1 January 2007 and changes to the REIT regime may require the Group to leave the REIT regime (voluntarily or otherwise). Such changes may, therefore, have adverse consequences for the financial position and prospects of the Group.

## **20 Risks relating to the Issuer**

The Issuer is a special purpose financing entity with no business operations other than the issuance of the Bonds, the lending of the proceeds to the Guarantor and/or other members of the Group and the issue of the Preference Shares upon conversion of the Bonds. The Issuer's only material assets will be the Guarantor's or other members of the Group's obligation to repay the loan by which the proceeds of the Bonds are lent to the Guarantor or other members of the Group. Therefore, the Issuer is subject to all risks to which the Guarantor or other members of the Group to whom these loans are made are subject, to the extent that such risks could

limit the Guarantor's or such other member of the Group's ability to satisfy in full and on a timely basis its obligations under such loan.

## **B) Risks relating to the Bonds**

### **1 The 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:

- (i) 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;
- (ii) 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;
- (iii) have sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds;
- (iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of financial markets in which they participate; and
- (v) 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.

A potential investor should not invest in the Bonds, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this will have on the potential investor's overall investment portfolio.

### **2 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 listing on 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.

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

The Terms and Conditions of the Bonds 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.

### **4 Risks attached to the exercise of Conversion Rights**

Investors should be aware that as the Bonds are convertible into Preference Shares, which are immediately exchangeable for Ordinary Shares, the Bonds bear certain additional risks. Depending on the performance of

the underlying Ordinary Shares, the value of Ordinary Shares may be substantially lower than when the Bonds were initially purchased. In addition, the value of the Ordinary Shares to be delivered upon conversion of the Bonds may vary substantially between the date on which Conversion Rights are exercised under the Bonds and the date on which such Ordinary Shares are delivered. See “*Terms and Conditions of the Bonds – Conversion of Bonds*”.

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

Subject as provided herein, Conversion Rights under the Terms and Conditions may only be exercised from 13 July 2011 until the earlier of (a) the close of business on the date falling seven 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 seventh day prior to the date fixed for redemption. If the Conversion Rights are not exercised by Bondholders during the Conversion Period, the Bonds will be redeemed at their principal amount on the Final Maturity Date unless the Bonds are previously purchased and cancelled or redeemed in accordance with the Terms and Conditions of the Bonds.

## **6 Bondholders have limited anti-dilution protection**

The Exchange Price at which the Preference Shares deliverable upon conversion of the Bonds may be exchanged for Ordinary Shares will be adjusted in the event that there is a consolidation, reclassification or subdivision of the Ordinary Shares, capitalisation of profits or reserves, payment or making of dividends, rights issue or grant of other subscription rights or other adjustment, including a spin-off event, which affects the Ordinary Shares, but only in the situations and only to the extent provided under “*Terms and Conditions of the Bonds – Conversion of Bonds*” and as set out in the Articles of the Issuer. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Ordinary Shares. Events in respect of which no adjustment is made may adversely affect the value of the Ordinary Shares and, therefore, adversely affect the value of the Bonds.

## **7 Changes in law may adversely affect returns to holders of the Bonds**

The Terms and Conditions of the Bonds are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular. Any change in the Guarantor’s tax status (or that of other members of its Group) or taxation legislation could affect the Guarantor’s ability to provide returns to holders of the Bonds or alter post tax returns to holders of the Bonds. Commentaries in this Offering Circular concerning the taxation of investors in the Bonds are based on current United Kingdom tax law and practice which is subject to change. The taxation of an investment in the Guarantor depends on the individual circumstances of investors.

## **8 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 Guarantor, 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.

Future issues or sales of the Ordinary Shares may significantly affect the market price of the Bonds or the Ordinary Shares. The future issue of Ordinary Shares by the Guarantor or the disposal of Ordinary Shares by significant shareholders or the perception that such issues or sales may occur may significantly affect the trading price of the Bonds and the Ordinary Shares. The Guarantor has agreed to certain restrictions on its

ability to issue or dispose of Ordinary Shares or related securities for 90 days after the date of the Subscription Agreement.

Except for such restrictions and the undertakings of the Guarantor described in Condition 11 (see “*Terms and Conditions of the Bonds – Undertakings*”), there is no restriction on the Guarantor’s ability to issue Ordinary Shares, and there can be no assurance that the Guarantor will not issue Ordinary Shares or that any substantial shareholder will not dispose of, encumber, or pledge its Ordinary Shares or related securities.

**9 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 and/or the Guarantor**

The Bonds will be represented by the Global Bond. The Global Bond will be deposited with a common depository for, and registered in the name of the common nominee of, Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Global Bond, investors will not be entitled to receive Definitive Registered Bonds. 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 and the Guarantor will discharge their 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 and the Guarantor have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond.

**10 Subordination to subsidiary debt and secured bank borrowing**

The Group’s operations are principally conducted through its subsidiaries. Accordingly, the Guarantor is and will be dependent on its subsidiaries’ operations to service its indebtedness, including the Guarantee. The Guarantee will be structurally subordinated to the claims of all holders of debt securities and other creditors, including trade creditors, of the Guarantor’s subsidiaries, and to all secured creditors of the Guarantor and its subsidiaries (including those creditors whose security is permitted to arise or subsist pursuant to the exceptions to the negative pledge contained in “*Terms and Conditions of the Bonds – Negative Pledge*”). In the event of an insolvency, liquidation, reorganisation, dissolution or winding up of the business of any subsidiary of the Guarantor, creditors of such subsidiary generally will have the right to be paid in full before any distribution is made to the Guarantor. As at 31 March 2011, the Group’s secured indebtedness totalled £894 million.

**11 Exchange rate risks and exchange controls**

The Issuer will pay principal and interest on Bonds in sterling. This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “Investor’s Currency”) other than sterling. These include the risk that exchange rates may significantly change (including changes due to devaluation of sterling or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to sterling would decrease (1) the Investor’s Currency-equivalent yield on the Bonds, (2) the Investor’s Currency-equivalent value of the principal payable on the Bonds and (3) the Investor’s Currency-equivalent market value of the Bonds.

Governments and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result when translated into the Investor's Currency, investors may receive less interest or principal than expected, or no interest or principal.

## **12 Interest rate risks**

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of them.

## **13 Inflation risk**

The value of future payments of interest and principal may be reduced as a result of inflation as the real rate of interest on an investment in the Bonds will be reduced at rising inflation rates and may be negative if the inflation rate rises above the nominal rate of interest on the Bonds.

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

The Conditions 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 Conditions also provide that the Trustee may, without the consent of Bondholders, (i) agree to 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 Conditions, the Deed Poll or the Articles of the Issuer which is, in the opinion of the Trustee, of a minor, formal or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven or to comply with mandatory provisions of law; (ii) agree to any modification of, or to the 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 Conditions, the Deed Poll or the Articles of the Issuer which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders; (iii) determine that any Event of Default or Potential Event of Default shall not be treated as such provided that, in the opinion of the Trustee, the interests of the Bondholders would not be materially prejudiced thereby; or (iv) agree to the substitution of another Subsidiary of the Guarantor or of Newco as principal debtor under any Bonds in place of the Issuer (or any previous substitute under Condition 14), in the circumstances described in Condition 14.

## **15 Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.



## 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.*

The issue of the £175,000,000 2.75 per cent. Guaranteed Convertible Bonds due 2016 (the “Bonds”, which expression shall, unless otherwise indicated, include any Further Bonds (as defined below)) was (save in respect of any Further Bonds) authorised by resolutions of the board of directors of Derwent London Capital (Jersey) Limited (the “Issuer”) passed on 16 May 2011 and 26 May 2011. The giving of the guarantee by Derwent London Plc (the “Guarantor”) in respect of the Bonds was authorised by a resolution of the board of directors of the Guarantor passed on 13 May 2011 and resolutions of a committee of the board of directors of the Guarantor passed on 16 May 2011 and 26 May 2011. The Bonds are constituted by a trust deed dated 2 June 2011 (the “Trust Deed”) between the Issuer, the Guarantor and HSBC Corporate Trustee Company (UK) Limited (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 form of the Bonds. The Bondholders are entitled to the benefit of, 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, Transfer and Conversion Agency Agreement dated 2 June 2011 (the “Agency Agreement”) relating to the Bonds between the Issuer, the Guarantor, the Trustee and HSBC Bank plc (the “Principal Paying, Transfer and Conversion Agent”, which expression shall include any successor as Principal Paying, Transfer and Conversion Agent under the Agency Agreement), the Agents for the time being (such persons, together with the Principal Paying, Transfer and Conversion Agent, being referred to below as the “Paying, Transfer and Conversion Agents”, which expression shall include their successors as Agents under the Agency Agreement) and HSBC Private Bank (C.I.) Limited, Jersey Branch in its capacity as registrar (the “Registrar”, which expression shall include any successor as registrar under the Agency Agreement), the Articles of the Issuer (as defined below) and the deed poll (the “Deed Poll”) executed and delivered on 2 June 2011 by the Guarantor.

Copies of each of the Trust Deed, the Agency Agreement, the Articles of the Issuer and the Deed Poll are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the Closing Date (as defined below) at 8 Canada Square, London E14 5HQ), and at the specified offices of the Paying, Transfer and Conversion Agents and the Registrar.

Capitalised terms used but not defined in these Conditions shall have the meanings provided in the Trust Deed or, as the case may be, the Articles of the Issuer, unless, in any case, the context otherwise requires or unless otherwise stated.

### **1 Form, Denomination, Title, Status and Guarantee**

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

The Bonds are in registered form, serially numbered, in principal amounts of £100,000 each.

#### *(b) Title*

Title to the Bonds will pass by transfer and registration as described in Condition 4. The holder (as defined below) of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or its theft or loss (or that of the

related certificate, as applicable) or anything written on it or the certificate representing it (other than a duly executed transfer thereof)) and no person will be liable for so treating the holder.

(c) *Status*

The Bonds constitute direct, unconditional, senior, unsubordinated and (subject to Condition 2) unsecured obligations of the Issuer ranking *pari passu* and rateably, without any preference among themselves, and equally with all other existing and future unsecured and unsubordinated obligations of the Issuer, save for such obligations that may be preferred by provisions of law that are mandatory and of general application.

(d) *Guarantee*

The Guarantor has, pursuant to the Trust Deed, unconditionally and irrevocably guaranteed the due and punctual performance by the Issuer of all its payment and other obligations in respect of the Bonds. The obligations of the Guarantor under the Trust Deed constitute direct, unconditional, senior, unsubordinated and (subject to Condition 2) unsecured obligations of the Guarantor and rank equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, save for such obligations that may be preferred by provisions of law that are mandatory and of general application.

## 2 Negative Pledge

So long as any Bond remains outstanding (as defined in the Trust Deed):

- (i) neither the Issuer nor the Guarantor will create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (“Security”) upon the whole or any part of its undertaking, assets or revenues present or future to secure any Relevant Debt, or any guarantee of, or indemnity in respect of, any Relevant Debt;
- (ii) the Guarantor will procure that none of its Principal Subsidiaries (as defined below) will create or permit to subsist any Security upon the whole or any part of the undertaking, assets or revenues present or future of that Principal Subsidiary to secure any of the Issuer’s or the Guarantor’s Relevant Debt or any guarantee of or indemnity in respect of any of the Issuer’s or the Guarantor’s Relevant Debt or any of the Relevant Debt of any member of the Group, or any guarantee of, or indemnity in respect of, any such Relevant Debt; and
- (iii) the Guarantor will procure that no other member of the Group gives any guarantee of, or indemnity in respect of, any of the Issuer’s or the Guarantor’s Relevant Debt issued after the Closing Date,

unless, at the same time or prior thereto, the obligations of the Issuer or, as the case may be, the Guarantor under the Bonds and the Trust Deed (1) are secured equally and rateably therewith or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or (2) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Bondholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders PROVIDED THAT there may be permitted to subsist (without the obligation to accord to the Bonds an equivalent Security or ensure the Bonds benefit from a guarantee or indemnity as aforesaid) (x) any Security in respect of any Relevant Debt where such Security is subsisting over undertakings or assets acquired after, or is provided by or subsisting in respect of a company becoming a Subsidiary of the Guarantor after, 17 May 2011 and where such Security exists at the time of such acquisition or at the time that company becomes a Subsidiary of the Guarantor (provided that such Security was not created in contemplation of such acquisition or that company becoming a Subsidiary of the Guarantor and the

principal amount of the Relevant Debt secured at the time of that company becoming a Subsidiary of the Guarantor is not subsequently increased) and any Security over the same undertaking or assets or provided by or subsisting in respect of that company for the purpose of and to the extent of the refinancing of such Relevant Debt and (y) any Security, whether or not existing at the Closing Date, in respect of London Merchant Securities plc's £175,000,000 Secured Bonds due 2026 (provided that the principal amount thereof is not increased) and (z) any Security securing any other Relevant Debt having a maximum aggregate amount outstanding at any time not exceeding £350,000,000 (or its equivalent).

For the purposes of this Condition 2, "Relevant Debt" means any indebtedness for borrowed money in the form of, or represented by, bonds, notes, debentures, loan stock or other securities which are, or are capable of being, quoted, listed, dealt in or traded on any stock exchange or other securities market (whether or not initially distributed by way of public offer, private placement, acquisition consideration or otherwise).

### 3 Definitions

In these Conditions, unless otherwise provided:

"Additional Ordinary Shares" has the meaning provided in the Articles of the Issuer.

"Articles of the Issuer" means the Articles of Association of the Issuer, as amended or replaced from time to time.

"Bondholder" and "holder" mean the person in whose name a Bond is registered in the Register (as defined in Condition 4(a)).

"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 in that place.

a "Change of Control" shall occur if (i) any person or persons, acting together, acquire(s) or becomes entitled to control more than 50 per cent. of the Voting Rights of the Guarantor or (ii) 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 (as defined in Section 988(1) of the Companies Act) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Guarantor 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 or having become effective) 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 Guarantor has or will become unconditionally vested in any person and/or any associate of that person (as defined in Section 988(1) of the Companies Act).

"Change of Control Notice" has the meaning provided in Condition 6(h).

"Change of Control Period" means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change of Control or, if later, 60 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 6(h).

"Change of Control Put Date" has the meaning provided in Condition 7(e).

"Change of Control Put Exercise Notice" has the meaning provided in Condition 7(e).

"Closing Date" means 2 June 2011.

"Companies Act" means the Companies Act 2006 of the United Kingdom.

"Conversion Date" has the meaning provided in Condition 6(b).

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

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

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

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

“Current Market Price” has the meaning provided in the Articles of the Issuer.

“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, Spin-Off Securities, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

“Dividend” has the meaning provided in the Articles of the Issuer.

“Effective Date relating to such Dividend or entitlement” means, unless otherwise defined, the first day on which the Ordinary Shares are traded ex- the relevant Dividend or other entitlement on the Relevant Stock Exchange.

“Exchange Price” has the meaning provided in the Articles of the Issuer.

“Exempt Newco Scheme” means a Newco Scheme where, immediately after completion of the relevant Scheme of Arrangement, the ordinary shares or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent 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 Guarantor or Newco may determine.

“Extraordinary Resolution” has the meaning provided in the Trust Deed.

“Fair Market Value” has the meaning provided in the Articles of the Issuer.

“Final Maturity Date” means 15 July 2016.

“First Call Date” has the meaning provided in Condition 7(b)(i).

“Further Bonds” means any further Bonds issued pursuant to Condition 18 and consolidated and forming a single series with the then outstanding Bonds.

“Group” has the meaning provided in Condition 10(g).

“Independent Financial Adviser” means an independent financial institution of international repute appointed by the Issuer or Guarantor and approved in writing by the Trustee or, if the Issuer and the Guarantor fail to make such appointment and such failure continues for a reasonable period (as determined by the Trustee) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without liability for so doing) following consultation (if, in the opinion of the Trustee, practicable) with the Issuer and the Guarantor.

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

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

“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

immediately prior to the Scheme of Arrangement (the “Existing Shareholders”) and the Guarantor; provided that (i) only ordinary shares or units or equivalent of Newco or depositary or other receipts or certificates representing ordinary shares or units or equivalent of Newco are issued to Existing Shareholders (except for a nominal holding by initial subscribers); (ii) immediately after completion of the Scheme of Arrangement the only shareholders of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares of Newco, are 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 (or shareholders) of the Guarantor; (iv) all Subsidiaries of the Guarantor immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Guarantor) are Subsidiaries of the Guarantor (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Guarantor (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 Guarantor 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 fully paid ordinary shares in the capital of the Guarantor currently with a par value of £0.05 each.

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

$$PV = N \times VWAP$$

where

PV = the Parity Value

N = the number of Ordinary Shares determined by dividing £100,000 by the Exchange Price in effect on such dealing day rounded down, if necessary, to the nearest whole number of Ordinary Shares.

VWAP = the Volume Weighted Average Price of an Ordinary Share on such dealing day (provided that if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement, the Volume Weighted Average Price of an Ordinary Share on such dealing day shall 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 Effective Date relating to such Dividend or entitlement).

a “person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“Preference Shares” means exchangeable redeemable preference shares of the Issuer with a par value of £0.01 each and which will be issued on conversion of each £100,000 in principal amount of the Bonds at a paid-up value (the “Paid-up Value”) of £100,000 each.

“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.

“Principal Subsidiary” has the meaning provided in Condition 10.

“Record Date” has the meaning provided in Condition 8(c).

“Reference Date” means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a dealing day, the next following dealing day.

“Register” has the meaning provided in Condition 4(a).

“Relevant Currency” means 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, 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 by the Issuer to the Bondholders in accordance with Condition 17 that such payment will be made, provided that such payment is in fact made as provided in these Conditions.

“Relevant Debt” has the meaning provided in Condition 2.

“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.

“Retroactive Adjustment” has the meaning provided in the Articles of the Issuer.

“Scheme of Arrangement” has the meaning provided in the definition of “Newco Scheme”.

“Securities” includes, without limitation, shares in the share capital of the Guarantor and options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Guarantor.

“Share Exchange Rights” has the meaning provided in the Articles of the Issuer.

“Shareholders” means the holders of Ordinary Shares.

“Specified Date” has the meaning provided in the Articles of the Issuer.

“Spin-Off Securities” has the meaning provided in the Articles of the Issuer.

“Subsidiary” means a subsidiary of the Guarantor within the meaning provided in Section 1159 of the Companies Act.

“Tax Redemption Date” has the meaning provided in Condition 7(c).

“Tax Redemption Notice” has the meaning provided in Condition 7(c).

“UK Listing Authority” 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” has the meaning provided in the Articles of the Issuer.

“Voting Rights” means the right generally to vote at a general meeting of Shareholders of the Guarantor.

“£” and “sterling” means the lawful currency for the time being of the United Kingdom.

References to “ordinary share capital” have the meaning provided in Section 1119 of the Corporation Tax Act 2010 and to “equity share capital” have the meaning provided in Section 548 of the Companies Act.

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.

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 or Existing Shareholders, as the case may be, 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.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an 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.

Any determination by an Independent Financial Adviser appointed by the Issuer or Guarantor or, as the case may be, the Trustee in any of the circumstances contemplated in these Conditions shall (save in the case of manifest error) be final and binding on the Issuer, Guarantor, Trustee and the Bondholders.

For the purposes of Condition 6 and Condition 11 only, (a) references to the “issue” of Ordinary Shares or Ordinary Shares being “issued” shall include the delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Guarantor or any of its Subsidiaries, and (b) Ordinary Shares held by or on behalf of the Guarantor or any of its Subsidiaries shall not be considered as or treated as “in issue” or “issued”.

In relation to the Bonds, 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 UK Listing Authority and admission to trading on the Professional Securities Market of the London Stock Exchange.

In relation to the Ordinary Shares, 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 UK Listing Authority 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.

#### **4 Registration and Transfer of Bonds**

##### *(a) Registration*

The Issuer will cause a register (the “Register”) to be kept at the specified office of the Registrar outside the United Kingdom on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds.

##### *(b) Transfer*

Bonds may, subject to the terms of the Agency Agreement and to Conditions 4(c) and 4(d), be transferred by lodging the relevant Bond (with the form of application for transfer in respect thereof

duly executed by the transferor and transferee and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Conversion Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days, in the place of the specified office of the Registrar, of any duly made application for the transfer of a Bond, register the relevant transfer in the Register and deliver a new Bond to the transferee (and, in the case of a transfer of part only of a Bond, deliver a Bond for the untransferred balance to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Bond by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) *Formalities Free of Charge*

Such transfer will be effected without charge subject to (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith, (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar (and as initially set out in the Agency Agreement).

(d) *Closed Periods*

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (i) during the period of 15 days ending on and including the day immediately prior to the Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 7(b) or 7(c); (ii) in respect of which a Conversion Notice has been delivered in accordance with Condition 6(h); (iii) in respect of which a Bondholder has exercised its right to require redemption pursuant to Condition 7(e); or (iv) during the period of 15 days ending on (and including) any Record Date in respect of any payment of interest on the Bonds.

## **5 Interest**

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 2.75 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 15 January and 15 July in each year (each an "Interest Payment Date"), commencing with the Interest Payment Date falling on 15 January 2012, save that the first payment of interest will be made on 15 January 2012 in respect of the period from (and including) the Closing Date to (but excluding) 15 January 2012 and the amount of interest payable in respect of each Bond in the principal amount of £100,000 on such date will be £1,710.27.

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 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(e)) or (ii) where such Bond is redeemed or repaid pursuant to Condition 7 or Condition 10, from the due date for redemption or repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue at the rate specified in Condition 5(a) (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Trustee or the Principal Paying, Transfer and Conversion Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

## 6 Conversion of Bonds

(a) *Conversion Right*

Subject as provided in these Conditions, each Bond shall entitle the holder to convert each £100,000 principal amount of a Bond into one fully paid Preference Share, allotted at a price equal to the Paid-Up Value (a “Conversion Right”).

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering such Bond, together with a duly completed Conversion Notice, to the specified office of any Paying, Transfer and Conversion Agent in accordance with Condition 6(b), whereupon the Issuer shall issue to the relevant Bondholder or his nominee one Preference Share in respect of each £100,000 principal amount of a Bond being converted.

Subject to and as provided in 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) from 13 July 2011 (the “Conversion Period Commencement Date”) to the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling seven days prior to the Final Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 7(b) or 7(c) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the seventh day before the date fixed for redemption thereof pursuant to Condition 7(b) or 7(c), unless there shall be a 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 (and including) the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given to Bondholders in accordance with Condition 17 or, if earlier, the Final Maturity Date or, if the Final Maturity Date is not a London business day, the immediately preceding London business day; provided that, in each case, if such final date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of Conversion Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Notwithstanding the foregoing, if a Change of Control occurs the Conversion Right may be exercised prior to the Conversion Period Commencement Date, in which case Bondholders exercising the Conversion Right shall, as a pre-condition to receiving Ordinary Shares, be required to certify in the Conversion Notice, among other things, that it or, if it is a broker-dealer acting on behalf of a customer, such customer:

- (i) will, on conversion, become the beneficial owner of the Ordinary Shares; and
- (ii) is located outside the United States (within the meaning of Regulation S under the U.S. Securities Act of 1933, as amended).

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 that Bond pursuant to Condition 7(e).

Save where a notice of redemption is given by the Issuer in the circumstances provided in Condition 7(b), Conversion Rights may not be exercised by a Bondholder in circumstances where the relevant Conversion Date would fall during the period commencing on the Record Date in respect of any payment of interest on the Bonds and ending on the relevant Interest Payment Date (both days inclusive).

The period during which Conversion Rights may (subject as provided below) be exercised by a Bondholder is referred to as the “Conversion Period”.

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

By exercising the Conversion Right, a Bondholder will be deemed, subject to and in accordance with the Articles of the Issuer, to have exercised the Share Exchange Rights applicable to the Preference Shares arising on the exercise of such Conversion Right, and the Issuer will procure that such Preference Shares are immediately, following issue of such Preference Shares to the Bondholder or to its nominee and registration of such Preference Shares in the name of the relevant person, exchanged for fully paid Ordinary Shares, on or as of the relevant Conversion Date (without any further action being required to be taken by any Bondholder or the Trustee). The Issuer will procure that Ordinary Shares to be issued or delivered on exchange of the Preference Shares will be issued or delivered to the relevant person specified in the relevant Conversion Notice. Such Ordinary Shares will be deemed to be issued and delivered on or as of the relevant Conversion Date. Any Additional Ordinary Shares to be issued and delivered pursuant to Retroactive Adjustment provisions included in the Articles of the Issuer will be deemed to be issued and delivered on or as of the relevant Reference Date.

Each of the Issuer and the Guarantor shall (at its own expense) do all such things and make all such entries in the Issuer’s and the Guarantor’s respective registers of members and execute all such documents, whether at the request of the Trustee, on behalf of the relevant Bondholders or otherwise (including the execution of such instruments of transfer on behalf of the relevant Bondholders) as may be necessary to effect such exchange of Preference Shares.

Conversion Rights are not exercisable in respect of any specific Preference Shares or Ordinary Shares and no Preference Shares or Ordinary Shares have been or will be charged, placed in custody or otherwise set aside to secure or satisfy the obligations of the Issuer and the Guarantor in respect of the delivery of Preference Shares or Ordinary Shares.

#### *Share Exchange Rights*

*The following is a summary of the Articles of the Issuer relating to the Share Exchange Rights. The Articles of the Issuer are separate from, and do not form part of, these Conditions.*

(a) *Exercise of Share Exchange Rights*

*A holder of Preference Shares shall be entitled to exchange such Preference Shares for fully paid Ordinary Shares (“Share Exchange Rights”), and an exercise of the Conversion Right in respect of a Bond shall be deemed to be an exercise of Share Exchange Rights in respect of the Preference Share to be issued in respect of such Bond.*

*The number of Ordinary Shares to be issued on the exercise of a Share Exchange Right (the “Relevant Number of Ordinary Shares”) shall be determined by dividing the Paid-up Value (being £100,000 per Preference Share) of the relevant Preference Shares by the exchange price (the “Exchange Price”) in effect on the relevant Conversion Date and where necessary rounding that number of Ordinary Shares down to the nearest whole number of Ordinary Shares. The initial Exchange Price is £22.22 per Ordinary Share and the Exchange Price shall thereafter be subject to adjustment as summarised below.*

*The exercise of a Share Exchange Right shall be satisfied by the issue and delivery of Ordinary Shares in an amount equal to the Relevant Number of Ordinary Shares, subject to and as provided in the Articles of the Issuer.*

*Fractions of Ordinary Shares will not be issued and delivered and no cash payment or other adjustment will be made in lieu thereof. If a Share Exchange Right in respect of more than one Preference Share is deemed to be exercised at any one time such that Ordinary Shares to be issued and delivered in respect of such exercise are to be registered in the same name, the number of Ordinary Shares to be issued and delivered in respect thereof shall be calculated on the basis of the aggregate Paid-up Value of such Preference Shares, and rounded down to the nearest whole number of Ordinary Shares.*

(b) *Adjustment of Exchange Price*

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

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

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

*where:*

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

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

- (ii) *If and whenever the Guarantor shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary*

*Shares are or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive, (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares or (3) where any such Ordinary Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Exchange Price shall be adjusted by multiplying the Exchange 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 Guarantor shall pay or make any Capital Distribution to the Shareholders, the Exchange Price shall be adjusted by multiplying the Exchange 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 Guarantor or any Subsidiary of the Guarantor, by the number of Ordinary Shares in issue immediately prior to such purchase, redemption or buy 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.*

*“Effective Date” means, in respect of this paragraph (b)(iii)(A), the first date on which the Ordinary Shares are traded ex-the relevant Capital Distribution 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.

“Capital Distribution” means any Non-Cash Dividend.

“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.

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

- (B) If and whenever the Guarantor shall pay any Extraordinary Dividend to the Shareholders, the Exchange Price shall be adjusted by multiplying the Exchange 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;

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; and

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.

“Effective Date” means, in respect of this sub-paragraph (b)(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 a fiscal year of the Guarantor (the “Relevant Fiscal Year”), if (a) the Fair Market Value of the Relevant Dividend per Ordinary Share or (b) the sum of (i) the 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 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.

	<b>Threshold Amount</b>
	<u>(£)</u>
<i>Fiscal year ending:</i>	
31 December 2011 .....	0.295
31 December 2012 .....	0.310
31 December 2013 .....	0.325
31 December 2014 .....	0.341
31 December 2015 .....	0.358
31 December 2016 (period up to and including last day of Conversion Period).....	0.260

- (C) For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of “Dividend” and in the definition of “Fair Market Value”) be determined as at the Effective Date.
- (D) In making any calculations for the purposes of this paragraph (b)(iii), such adjustments (if any) shall be made as an Independent Financial Adviser may determine in good faith to be 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 Relevant Fiscal Year of the Guarantor in question or (ii) any change in the fiscal year of the Guarantor.
- (iv) If and whenever the Guarantor shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), 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 Effective Date, the Exchange Price shall be adjusted by multiplying the Exchange 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 Securities 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 on the Effective Date; and
- C is the number of Ordinary Shares to be 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 or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph (b)(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 Guarantor 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 Exchange Price shall be adjusted by multiplying the Exchange 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 paragraph (b)(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 Guarantor shall issue (otherwise than as mentioned in paragraph (b)(iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on exchange for the Preference Shares or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in sub-paragraph (b)(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 for this purpose include any Further 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 Effective Date, the Exchange Price shall be adjusted by multiplying the Exchange 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 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 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 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 Effective Date.

“Effective Date” means, in respect of this sub-paragraph (b)(vi), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Guarantor or any Subsidiary of the Guarantor or (at the direction or request of or pursuant to any arrangements with the Guarantor or any Subsidiary of the Guarantor) any other company, person or entity (otherwise than as mentioned in paragraphs (b)(iv), (b)(v) or (b)(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) 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 Effective Date, the Exchange Price shall be adjusted by multiplying the Exchange 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;



- 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 (as used in this paragraph (b)(vii), 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 paragraph (b)(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 Effective Date.*

*“Effective Date” means, in respect of this sub-paragraph (b)(vii), 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, which term shall for this purpose include any Further Bonds) as are mentioned in sub-paragraph (b)(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 Effective Date, the Exchange Price shall be adjusted by multiplying the Exchange 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 on the dealing day immediately before such modification;*
- 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, purchase or acquisition attached to the Securities so modified would purchase at such Current*

*Market Price per Ordinary Share on the date of such first public announcement or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate 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, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Financial Adviser shall consider appropriate for any previous adjustment under this sub-paragraph (b)(viii) or sub-paragraph (b)(vii) above,*

*provided that if at the time of such modification (as used in this paragraph (b)(viii), 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, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this paragraph (b)(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, subscription, purchase or acquisition had taken place on the Specified Date.*

*Such adjustment shall become effective on the Effective Date.*

*“Effective Date” means, in respect of this sub-paragraph (b)(viii), the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.*

*(ix) If and whenever the Guarantor or any Subsidiary of the Guarantor or (at the direction or request of or pursuant to any arrangements with the Guarantor or any Subsidiary of the Guarantor) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Exchange Price falls to be adjusted under paragraphs (b)(ii), (b)(iii), (b)(iv), (b)(v), (b)(vi) or (b)(vii) above or (b)(x) below (or, where applicable, 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)), the Exchange Price shall be adjusted by multiplying the Exchange 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 relevant offer attributable to one Ordinary Share.*

*Such adjustment shall become effective on the Effective Date.*

*“Effective Date” means, in respect of this sub-paragraph (b)(ix), the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.*

- (x) *If a Change of Control shall occur, then upon any exercise of Conversion Rights where the Conversion Date falls during the Change of Control Period, the Exchange Price (the “Change of Control Exchange Price”) shall be determined as set out below:*

$$\text{COCEP} = \text{OEP} / (1 + (\text{EP} \times c/t))$$

*where:*

*COCEP = means the Change of Control Exchange Price*

*OEP = means the Exchange Price in effect on the relevant Conversion Date*

*EP = means 30 per cent. (expressed as fraction)*

*c = means the number of days from and including the date the Change of Control occurs to but excluding the Final Maturity Date*

*t = means the number of days from and including the Closing Date to but excluding the Final Maturity Date.*

- (xi) *If the Guarantor determines that an adjustment should be made to the Exchange Price as a result of one or more circumstances not referred to above in this paragraph (b) (even if the relevant circumstance is specifically excluded from the operation of paragraphs (b)(i) to (x) above), the Guarantor shall, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as practicable what adjustment (if any) to the Exchange Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) 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 paragraph (b)(xi) 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 and if the adjustment would result in a reduction to the Exchange Price.*

*Notwithstanding the foregoing provisions:*

- (a) *where the events or circumstances giving rise to any adjustment pursuant to this paragraph (b) have already resulted or will result in an adjustment to the Exchange Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Exchange Price or where more than one event which gives rise to an adjustment to the Exchange Price occurs within such a short period of time that, in the opinion of the Issuer or the Guarantor, 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 determined in good faith by an Independent Financial Adviser to be in its opinion appropriate to give the intended result; and*
- (b) *such modification shall be made to the operation of these provisions as may be determined in good faith by an Independent Financial Adviser to be in its opinion*

appropriate (i) to ensure that an adjustment to the Exchange 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 paragraphs (b)(iv), (b)(vi), (b)(vii) and (b)(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 Guarantor 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, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date referred to in paragraph (b)(iv), (b)(vi), (b)(vii) or (b)(viii), as the case may be, 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 of 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 expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date;
- (d) in determining the 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 options, warrants or rights, or otherwise in connection therewith; and
- (e) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable, regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.

(c) *Retroactive Adjustments*

*If the Conversion Date in relation to any Bond shall be after the record date in respect of any consolidation, reclassification or sub-division as is mentioned in paragraph (b)(i) above, or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in paragraph (b)(ii), (b)(iii), (b)(iv), (b)(v) or (b)(ix) above, or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in paragraph (b)(vi) and (b)(vii) above or of the terms of any such modification as is mentioned in paragraph (b)(viii) above, but before the relevant adjustment to the Exchange Price becomes effective under paragraph (b) above (such adjustment, a “Retroactive Adjustment”), then the Guarantor shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued and delivered to the exchanging holder of Preference Shares, in accordance with the instructions contained in the relevant Conversion Notice, such additional number of Ordinary Shares (if any) (the “Additional Ordinary Shares”) as, together with the Ordinary Shares issued and delivered on exchange of the relevant Preference Shares (together with any fraction of an Ordinary Share not so issued), is equal to the number of Ordinary Shares which would have been required to be issued or delivered on such exchange if the relevant adjustment to the Exchange Price had been made and become effective immediately prior to the relevant Conversion Date.*

(d) *Decision of an Independent Financial Adviser*

*If any doubt shall arise as to whether an adjustment falls to be made to the Exchange Price or as to the appropriate adjustment to the Exchange Price, and following consultation between the Guarantor and an Independent Financial Adviser, a written opinion of such Independent Financial Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error.*

(e) *Share or Option Schemes, Dividend Reinvestment Plans*

*No adjustment will be made to the Exchange Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted (i) 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 Guarantor or any of its Subsidiaries or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme or (ii) pursuant to any dividend reinvestment plan or similar plan or scheme.*

(f) *Rounding Down and Notice of Adjustment to the Exchange Price*

*On any adjustment, the resultant Exchange Price, if not an integral multiple of £0.0001, shall be rounded down to the nearest whole multiple of £0.0001. No adjustment shall be made to the Exchange Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Exchange Price then in effect. Any adjustment not required to be made and/or any amount by which the Exchange 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 and/or, as the case may be, that the relevant rounding down had not been made.*

*Notice of any adjustments to the Exchange Price shall be given by the Guarantor to Bondholders in accordance with Condition 17 and to the Trustee promptly after the determination thereof.*

*The Exchange Price shall not in any event be reduced to below the nominal value of the Ordinary Shares.*

(g) *Definitions*

*The following expressions have the following meanings:*

*“Additional Ordinary Shares” has the meaning provided in paragraph (c) above.*

*“Bonds” means the £175,000,000 2.75 per cent. Guaranteed Convertible Bonds due 2016 of the Issuer, unconditionally and irrevocably guaranteed by the Guarantor.*

*a “Change of Control” shall occur if (i) any person or persons, acting together, acquire(s) or becomes entitled to control more than 50 per cent. of the Voting Rights of the Guarantor or (ii) 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 (as defined in Section 988(1) of the Companies Act) of the offeror), to acquire all or a majority of the issued ordinary share capital of the Guarantor 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 or having become effective) 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 Guarantor has or will become unconditionally vested in any person and/or any associate of that person (as defined in Section 988(1) of the Companies Act).*

*“Change of Control Period” means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change of Control or, if later, 60 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 6(h).*

*“Companies Act” means the Companies Act 2006 of the United Kingdom.*

*“Conditions” means the terms and conditions of the Bonds as set out in the Trust Deed, as amended or modified from time to time.*

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

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

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

*“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 on each of 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 to be issued and delivered 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 Effective Date relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit; or

- (b) if the Ordinary Shares to be issued and delivered 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 Effective Date relating to such Dividend (or entitlement), in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

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 to be issued and delivered 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 Effective Date relating to such Dividend or entitlement, in any such case, determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit,

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 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 by an Independent Financial Adviser.

“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, Spin-Off Securities, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time).

“Dividend” means any dividend or distribution to Shareholders (including a Spin-Off) whether of cash, assets or other property, 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: (1) 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 an amount equal to the greater of (i) the Fair Market Value of such cash amount and (ii) the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, as the case may be, the Fair Market Value of such other property or assets as at the date of the first public announcement of such Dividend or capitalisation (or in any such case, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined; or (2) there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be treated as a Cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation, or in any such case, if later, the date on which the number of Ordinary Shares to be issued and delivered is determined;*

- (b) any issue of Ordinary Shares falling within paragraph (b)(ii) above shall be disregarded;*
- (c) a purchase or redemption or buy back of share capital of the Guarantor by or on behalf of the Guarantor or any of its Subsidiaries shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of the Guarantor or any of its Subsidiaries, the weighted average price 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 price of the Ordinary Shares on the Relevant Stock Exchange (as published 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 or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or formula for the determination thereof is or is not announced at such time), as the case may be, 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 Guarantor 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 Share determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;

- (d) if the Guarantor 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) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined by an Independent Financial Adviser; and
- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Guarantor for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from a person other than, (or in addition to) the Guarantor, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Guarantor, and the foregoing provisions of this definition and the provisions of these Conditions shall be construed accordingly, and any such determination shall be made on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.

“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.

“Effective Date relating to such Dividend or entitlement” means the first date on which the Ordinary Shares are traded ex- the relevant Dividend or entitlement 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 or units or equivalent of Newco (or depositary or other receipts or certificates representing ordinary shares or units or equivalent 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 Guarantor 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 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 on a stock exchange or securities market of adequate liquidity (as determined by an Independent Financial Adviser), the Fair Market Value of such Securities, Spin-Off Securities options, warrants or other rights shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities, Spin-Off Securities, options, warrants or other rights during the period of five dealing days on the relevant stock exchange or securities 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 Securities, 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 on a stock exchange or securities market of adequate liquidity (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined 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) above, 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) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made on account of tax, and disregarding any associated tax credit.*

*“First Call Date” has the meaning provided in Condition 7(b)(i).*

*“Guarantor” means Derwent London Plc.*

*“Independent Financial Adviser” has the meaning provided in the Conditions.*

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

*“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 immediately prior to the Scheme of Arrangement (the “Existing Shareholders”) and the Guarantor; provided that (i) only ordinary shares of Newco or, depositary or other receipts or certificates representing ordinary shares of Newco are issued to Existing Shareholders (except for a nominal holding by initial subscribers); (ii) immediately after completion of the Scheme of Arrangement the only shareholders of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares of Newco, are 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 (or shareholders) of the Guarantor; (iv) all Subsidiaries of the Guarantor immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary of the Guarantor) are Subsidiaries of the Guarantor (or of Newco) immediately after completion of the Scheme of Arrangement; and (v) immediately after completion of the Scheme of Arrangement the Guarantor (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 Guarantor immediately prior to the Scheme of Arrangement.*

*“Ordinary Shares” means fully paid ordinary shares in the capital of the Guarantor currently with a par value of £0.05 each.*

*a “person” includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).*

*“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 Currency” means 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 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 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.*

*“Retroactive Adjustment” has the meaning provided in paragraph (c) above.*

*“Securities” includes, without limitation, shares in the share capital of the Guarantor and options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Guarantor.*

*“Shareholders” has the meaning provided in the Conditions.*

*“Spin-Off” means:*

- (a) a distribution of Spin-Off Securities by the Guarantor to Shareholders as a class; or*
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or other securities of or in or issued or allotted by any entity) by any entity (other than the Guarantor) 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 shares (or depository or other receipts or certificates representing such shares) by Newco to Existing Shareholders), pursuant in each case to any arrangements with the Guarantor or any of its Subsidiaries.*

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

*“Subsidiary” has the meaning provided in Section 1159 of the Companies Act.*

*“Trust Deed” means the trust deed dated 2 June 2011 between the Issuer, the Guarantor and HSBC Corporate Trustee Company (UK) Limited as trustee constituting the Bonds.*

*“Volume Weighted Average Price” means, in respect of an Ordinary Share, Security or, as the case may be, a Spin-Off Security on any dealing day, the volume-weighted average price of an Ordinary Share, Security or, as the case may be, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page HP (setting Weighted Average) or (in the case of a Security (other than an Ordinary Share) or Spin-Off Security) from the principal stock exchange or securities market on which such Security or Spin-Off Security is then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined to be appropriate by an Independent Financial Adviser on such dealing day and translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security or Spin-Off Security, as the case may be, in respect of such dealing day shall be the*

*Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined.*

*“Voting Rights” means the right generally to vote at a general meeting of Shareholders of the Guarantor.*

*“£” and “sterling” means the lawful currency for the time being of the United Kingdom.*

*References to “ordinary share capital” has the meaning provided in Section 1119 of the Corporation Tax Act 2010 and “equity share capital” has the meaning provided in Section 548 of the Companies Act.*

*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.*

*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 or Existing Shareholders, as the case may be, 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.*

*In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Financial Adviser determines in good faith to be 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.*

*For the purposes of paragraphs (a), (b), (c) and (g) above, (i) references to the “issue” of Ordinary Shares or Ordinary Shares being “issued” shall include the delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Guarantor or any of its Subsidiaries, and (ii) Ordinary Shares held by or on behalf of the Guarantor or any of its Subsidiaries (and which, in the case of paragraphs (b)(iv) and (b)(vi) above, do not rank for the relevant right or other entitlement) shall not be considered as or treated as “in issue” or “issued” or entitled to receive the relevant Dividend, right or other entitlement.*

*(b) Procedure for exercise of Conversion Rights*

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying, Transfer 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, Transfer 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, Transfer and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If such delivery is made after 1400 (London time) or on a day which is not a business day in the place of the specified office of the Registrar or the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the Registrar or the relevant Paying, Transfer and Conversion Agent (as applicable) and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Paying, Transfer and Conversion Agents and the relevant Bondholder.

Conversion Rights may only be exercised 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 business day in London immediately following the date of the delivery of the relevant Bond and the Conversion Notice as provided in this Condition 6(b).

A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any capital, stamp, issue and registration and transfer taxes and duties arising on conversion (other than any capital, stamp, issue, registration and transfer taxes and duties payable in Jersey or the United Kingdom in respect of the allotment and issue of Preference Shares or on transfer of any Preference Shares to the Guarantor on exchange of the Preference Shares or in respect of the allotment, issue and delivery of any Ordinary Shares on exchange of the Preference Shares (including any Additional Ordinary Shares), which shall be paid by the Issuer or the Guarantor). If the Issuer (failing whom the Guarantor) shall fail to pay any taxes and capital, stamp, issue and registration and transfer taxes and duties payable for which it is responsible as provided above, the relevant holder shall be entitled to tender and pay the same and the Issuer (failing whom the Guarantor) as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

The Trustee shall not be responsible for determining whether any such taxes or capital, stamp, issue and registration and transfer taxes and duties are payable or the amount thereof and it shall not be responsible or liable for any failure by the Issuer to pay such taxes or capital, stamp, issue and registration and transfer taxes and duties.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or Preference Shares or any interest therein in connection with the exercise of Conversion Rights by it, the exercise of the Share Exchange Rights and the exchange of the resulting Preference Shares for Ordinary Shares.

The Ordinary Shares to be issued on exercise of the Share Exchange Rights will not be available for issue or delivery (i) to, or to a nominee or agent for, Euroclear Bank S.A./N.V. or Clearstream Banking, société anonyme or any other person providing a clearance service within the meaning of Section 96 of the Finance Act 1986 of the United Kingdom or (ii) to a person, or nominee or agent for a person, whose business is or includes issuing depository receipts within the meaning of Section 93 of the Finance Act 1986 of the United Kingdom, in each case at any time prior to the "abolition day" as defined in Section 111(1) of the Finance Act 1990 of the United Kingdom.

Ordinary Shares to be delivered on exchange of Preference Shares (including any Additional Ordinary Shares) will be delivered in uncertificated form through the dematerialised securities trading system operated by Euroclear UK and Ireland Limited, known as CREST, unless at the relevant time the Ordinary Shares are not a participating security in CREST. Where Ordinary Shares are to be delivered through CREST, they will be delivered to the account specified by the relevant Bondholder in the relevant Conversion Notice by not later than seven London business days following the relevant Conversion Date (or, in the case of any Additional Ordinary Shares, not later than seven London business days following the Reference Date). Where Ordinary Shares are to be delivered in certificated

form, a certificate in respect thereof will be dispatched by mail free of charge (but uninsured and at the risk of the recipient) to the relevant Bondholder or as it may direct in the relevant Conversion Notice within 28 days following the relevant Conversion Date or, as the case may be, the Reference Date.

(c) *Ordinary Shares*

- (i) Ordinary Shares issued and delivered upon exchange of Preference Shares will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Conversion Date or, in the case of Additional Ordinary Shares, on the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments where the record date or other due date for the establishment of entitlement for which falls prior to the relevant Conversion Date or, as the case may be, the relevant Reference Date.
- (ii) Save as provided in Condition 6(e), no payment or adjustment shall be made on exercise of Conversion Rights 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).

(d) *Preference Shares*

- (i) Preference Shares allotted pursuant to these Conditions will be fully paid and will rank *pari passu* with all (if any) fully paid Preference Shares then in issue except that the Preference Shares so allotted will not rank for any dividend or other distribution declared, paid or made by reference to a record date prior to the relevant Conversion Date.
- (ii) Preference Shares will be allotted as of the relevant Conversion Date and will be allotted in the name of the person(s) specified in the relevant Conversion Notice.

(e) *Interest on Conversion*

If any notice requiring the redemption of the 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) 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 at the rate provided in Condition 5(a) on Bonds in respect of which Conversion Rights shall have been exercised and 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 by not later than 14 days after the relevant Conversion Date by transfer to a sterling account with a bank in London in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(f) *Purchase or Redemption of Ordinary Shares*

The Guarantor or any Subsidiary of the Guarantor may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Guarantor (including Ordinary Shares) or

any depositary or other receipts or certificates representing the same without the consent of the Bondholders.

(g) *No Duty to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists or may happen or exist and which requires or may require an adjustment to be made to the Exchange Price and will not be responsible or liable to any person for any loss arising from any failure by it to do so, nor shall the Trustee be responsible or liable to any person for any determination of whether or not an adjustment to the Exchange Price is required or should be made nor as to the determination or calculation of any such adjustment.

(h) *Change of Control*

Within 14 days following the occurrence of a Change of Control, the Issuer or the Guarantor shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 17 (a “Change of Control Notice”). The Change of Control 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(e).

The Change of Control Notice shall also specify:

- (i) all information material to Bondholders concerning the Change of Control;
- (ii) the Exchange Price immediately prior to the occurrence of the Change of Control and the Change of Control Exchange Price applicable pursuant to the Articles of the Issuer during the Change of Control Period on the basis of the Exchange Price in effect immediately prior to the occurrence of the Change of Control;
- (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 Change of Control Notice;
- (iv) the last day of the Change of Control Period;
- (v) the Change of Control Put Date; and
- (vi) such other information relating to the Change of Control as the Trustee may require.

The Trustee shall not be required to take any steps to monitor or ascertain whether a Change of Control or any event which could lead to a Change of Control 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.

## **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 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) or 7(c), and may only be redeemed by Bondholders prior to the Final Maturity Date in accordance with Condition 7(e).

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

On giving not less than 30 nor more than 60 days' notice (an "Optional Redemption Notice") to the Trustee 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 but unpaid interest to (but excluding) such date:

- (i) at any time on or after 30 July 2014 (the "First Call Date"), if the Parity Value on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not more than fourteen days prior to the giving of the relevant Optional Redemption Notice, shall have equalled or exceeded £130,000;
- (ii) at any time if, prior to the date the relevant Optional Redemption Notice is given, Conversion Rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds originally issued (which shall for this purpose include any Further Bonds).

(c) *Redemption for Taxation Reasons*

At any time the Issuer may, having given not less than 30 nor more than 60 days' notice (a "Tax Redemption Notice") to the Bondholders redeem (subject to the second following paragraph) all but not some only of the Bonds for the time being outstanding on the date (the "Tax Redemption Date") specified in the Tax Redemption Notice at their principal amount, together with accrued but unpaid interest to (but excluding) such date, if (i) the Issuer satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or, if the guarantee were called, the Guarantor) has or will become obliged to pay additional amounts pursuant to Condition 9 as a result of any change in, or amendment to, the laws or regulations of Jersey or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 17 May 2011, and (ii) such obligation cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Bonds or, as the case may be, the Guarantee then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Trustee (a) a certificate signed by two directors of the Issuer or the Guarantor, as the case may be, stating that the obligation referred to in (i) above cannot be avoided by the Issuer or the Guarantor, as the case may be, taking reasonable measures available to it and (b) an opinion of independent legal or tax advisers of recognised international standing to the effect that such change or amendment has occurred and that the Issuer or the Guarantor, as the case may be, has or will be obliged to pay such additional amounts as a result thereof (irrespective of whether such amendment or change is then effective) and the Trustee shall accept without any liability for so doing such certificate and opinion as sufficient evidence of the matters set out in (i) and (ii) above in which event it shall be conclusive and binding on the Bondholders.

On the Tax Redemption Date the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with accrued interest to such date.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bonds shall not be redeemed and that the provisions of Condition 9 shall not apply in respect of any



payment of interest to be made on such Bonds which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable in respect thereof pursuant to Condition 9 and payment of all amounts of such interest on such Bonds shall be made subject to the deduction or withholding of any Jersey or United Kingdom, as the case may be, taxation required to be withheld or deducted. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying, Transfer and Conversion Agent a duly completed and signed notice of election, in the form for the time being current, obtainable from the specified office of any Paying, Transfer and Conversion Agent together with the relevant Bonds on or before the day falling 10 days prior to the Tax Redemption Date.

(d) *Optional Redemption and Tax Redemption Notices*

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date or, as the case may be, the Tax Redemption Date, which shall be a London business day (ii) the Exchange 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 or, as the case may be, the Tax Redemption Notice and (iii) the last day on which Conversion Rights may be exercised by Bondholders.

(e) *Redemption at the Option of Bondholders upon a Change of Control*

Following the occurrence of a Change of Control, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date at its principal amount, together with accrued and unpaid interest to (but excluding) such date. To exercise such right, the holder of the relevant Bond must deliver such Bond to the specified office of any Paying, Transfer 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, Transfer and Conversion Agent (a "Change of Control Put Exercise Notice"), at any time during the Change of Control Period. The "Change of Control Put Date" shall be the fourteenth London business day after the expiry of the Change of Control Period.

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

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

(f) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or the Guarantor or any Subsidiary of the Guarantor may at any time purchase any 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 or the Guarantor surrendered to the Principal Paying, Transfer and Conversion Agent for cancellation.

(g) *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 the Guarantor or any

Subsidiary may be surrendered to the Principal Paying, Transfer and Conversion Agent for cancellation and if so surrendered shall be cancelled.

(h) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail.

## 8 **Payments**

(a) *Principal*

Payment of principal and interest in respect of the Bonds will be made to the persons shown in the Register at the close of business on the Record Date.

(b) *Other amounts*

Payments of all amounts other than as provided in Condition 8(a) will be made as provided in these Conditions.

(c) *Record Date*

“Record Date” means the fifth business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Conditions 8(a) and (b) will be made by transfer to a sterling account maintained by the payee with a bank in London.

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to Condition 10.

(f) *Delay in payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a business day.

(g) *Paying, Transfer and Conversion Agents, etc.*

The initial Paying, Transfer and Conversion Agents and Registrar and their initial specified offices are listed below. The Issuer and the Guarantor reserve the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying, Transfer and Conversion Agent or Registrar and appoint additional or other Paying, Transfer and Conversion Agents or another Registrar, provided that they will (i) maintain a Principal Paying, Transfer and Conversion Agent, (ii) maintain a Paying, Transfer and Conversion Agent (which may be the Principal Paying, Transfer 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 European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive and (iii) maintain a Registrar with a specified office outside the United Kingdom. Notice of any change in the

Paying, Transfer and Conversion Agents or the Registrar or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 17.

*(h) No charges*

Neither the Registrar nor the Paying, Transfer and Conversion Agents shall make or impose on a Bondholder any charge or submission in relation to any payment or conversion in respect of the Bonds.

*(i) 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 made by or on behalf of the Issuer or the Guarantor in respect of the Bonds will be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Jersey or the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, unless deduction or withholding of such taxes, duties, assessments or governmental charges is required to be made by law. In the event that any such withholding or deduction is required to be made, the Issuer or, as the case may be, the Guarantor will pay such additional amounts as will result in the receipt by the Bondholders of the amounts which would otherwise have been receivable had no such withholding or deduction been required, except that no such additional amount shall be payable in respect of interest on any Bond:

- (a) to a holder (or to a third party on behalf of a holder) who is subject to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with Jersey or, as the case may be, the United Kingdom otherwise than merely by holding the Bond or by the receipt of amounts in respect of the Bond; or
- (b) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

References in these Conditions to principal and/or interest and/or any other amounts payable in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertaking or covenant given in addition thereto or in substitution therefor pursuant to the Trust Deed.

The provisions of this Condition 9 shall not apply in respect of any payments of interest which fall due after the relevant Tax Redemption Date in respect of any Bonds which are the subject of a Bondholder election pursuant to Condition 7(c).

## **10 Events of Default**

If any of the following events (each an “Event of Default”) occurs the Trustee at its discretion may, and if so requested by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution and provided in each case that it is indemnified and/or secured and/or prefunded to its satisfaction shall, give notice to the Issuer at its registered office that the Bonds are, and they shall accordingly immediately become, due and repayable at their principal amount together with accrued interest (if any) to the date of payment:

(a) *Non-Payment/Failure to deliver Ordinary Shares*

the Issuer or the Guarantor fails to pay the principal of or any interest on any of the Bonds when due or fails to deliver Ordinary Shares following any exercise of Conversion Rights and such failure continues for seven days in the case of payment of principal and delivery of Ordinary Shares and 14 days in the case of payment of interest; or

(b) *Breach of Other Obligations*

the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations in the Bonds or the Trust Deed and (except where in any such case the Trustee considers such failure to be incapable of remedy when no such notice as is hereinafter mentioned will be required) such failure continues for a period of 30 days (or such longer period as the Trustee may permit) after notice has been given to the Issuer and the Guarantor by the Trustee requiring the same to be remedied; or

(c) *Cross-Default*

(i) any other present or future indebtedness of the Issuer or the Guarantor or any Principal Subsidiary for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or the Guarantor or any Principal Subsidiary fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised PROVIDED THAT no such event shall constitute an event of default unless the relevant indebtedness or relevant guarantee of or indemnity in respect of indebtedness either alone or when aggregated with all other indebtedness or guarantees of or indemnities in respect of indebtedness (if any) in respect of which such events have occurred shall equal or exceed £10,000,000 or its equivalent in any other currency or currencies; or

(d) *Enforcement Proceedings*

a distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or a substantial part of the property, assets or revenues of the Issuer or the Guarantor or any Principal Subsidiary and is not discharged within 45 days; or

(e) *Security Enforced*

any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any Principal Subsidiary in respect of all or a substantial part of the property, assets or revenues of the Issuer or the Guarantor or any Principal Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, manager or other similar person) and is not discharged within 30 days; or

(f) *Insolvency*

the Issuer or the Guarantor or any Principal Subsidiary is (or is, or could be, deemed by virtue of Section 123 of the Insolvency Act 1986 (other than Section 123(1)(a)) to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or would be reasonably likely otherwise to be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect

of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or the Guarantor or any Principal Subsidiary; or

(g) *Winding-up*

an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or the Guarantor or any Principal Subsidiary, or the Guarantor and its Subsidiaries taken as a whole (the “Group”) cease or threaten to cease to carry on all or the majority of the business or operations of the Group, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (1) on terms approved by the Trustee or by an Extraordinary Resolution of the Bondholders, or (2) in the case of a Principal Subsidiary, whereby the undertaking and assets of the Principal Subsidiary are transferred to or otherwise vested in the Guarantor or another of its Subsidiaries; or

(h) *Ownership*

the Issuer ceases to be a wholly-owned Subsidiary of the Guarantor; or

(i) *Guarantee*

the Guarantee is not (or is claimed by the Guarantor not to be) in full force and effect; or

(j) *Analogous Events*

any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs,

provided that, in the case of Condition 10(b) above and, in relation only to a Principal Subsidiary, Conditions 10(d), 10(e), 10(f) and 10(g) above, that the Trustee shall have certified to the Issuer that such Event of Default is in its opinion materially prejudicial to the interests of the holders of the Bonds.

For the purposes of these Conditions, “Principal Subsidiary” means, at any time:

- (x) a Subsidiary of the Guarantor whose (i) gross assets or (ii) pre-tax profits or revenues (in each case when consolidated with those gross assets or pre-tax profits or revenues of its Subsidiaries) exceed 5 per cent. of the aggregate gross assets of the Group or, as the case may be, pre-tax profits or revenues of the Group at that time ((i) and (ii) together being the “Principal Subsidiary Thresholds”), all as (in the case of any relevant person other than the Group) derived from financial information used for the preparation of the most recent audited consolidated accounts of the Group and (in the case of the Group) shown in the most recent audited annual consolidated accounts of the Group provided that (i) in the case of a Subsidiary acquired or an entity which becomes a Subsidiary after the end of the financial period to which the then latest audited consolidated accounts of the Guarantor relate, the reference to the then latest audited consolidated accounts of the Guarantor for the purposes of the above calculation shall, until the consolidated audited accounts of the Parent Guarantor are published for the financial period in which the acquisition is made or, as the case may be, in which such entity becomes a Subsidiary, be deemed to be a reference to the then latest audited consolidated accounts of the Guarantor adjusted in such manner as may be appropriate to consolidate the latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary in such accounts and (ii) any Subsidiary which meets the Principal Subsidiary Thresholds solely by virtue of being an intermediate holding company whose only assets (excluding intra-group loans) are holdings (whether directly or indirectly through other Subsidiaries) in Principal Subsidiaries shall be deemed not to be a Principal Subsidiary for the purposes of either this Condition 10 or Condition 2; or

- (y) a Subsidiary to which is transferred all or substantially all of the business, assets and undertaking of a Subsidiary of the Guarantor which immediately prior to such transfer is a Principal Subsidiary, whereupon the transferor Subsidiary of the Guarantor shall immediately cease to be a Principal Subsidiary and the transferee Subsidiary shall immediately become a Principal Subsidiary (subject to the provisions of paragraph (x) above).

A report by two directors of the Guarantor that in their opinion a Subsidiary of the Guarantor is or is not, or was or was not, at any particular time or throughout any specified period a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Trustee and the Bondholders and the Trustee shall be entitled to rely on such report without liability to any person.

## 11 Undertakings

### (a) *Deed Poll*

Whilst any Conversion Right or any Share Exchange Right remains exercisable, the Guarantor will, save with the approval of an Extraordinary Resolution or the prior written approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval or, in the case of a modification to the Deed Poll, unless the modification is approved by an Extraordinary Resolution or approved by the Trustee as provided in Condition 14(b), perform all of its obligations under, and not make any amendment to, the Deed Poll.

### (b) *Undertakings of the Guarantor*

Whilst any Conversion Right or any Share Exchange Right remains exercisable, the Guarantor 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:

- (i) 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:
  - (1) by the issue of fully paid Ordinary Shares or other Securities to Shareholders and other holders of shares in the capital of the Guarantor which by their terms entitle the holders thereof to receive Ordinary Shares or other shares or Securities on a capitalisation of profits or reserves; or
  - (2) by the issue of Ordinary Shares paid up in full (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a Dividend in cash; or
  - (3) 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 shares in the capital of the Guarantor which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
  - (4) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Guarantor or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, directors, or executives or any one or more of them,

unless, in any such case, the same gives rise (or would, but for the provisions of the Articles of the Issuer relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Exchange Price;

- (ii) not 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 the rights attaching to the Ordinary Shares but so that nothing in this Condition 11(b)(ii) shall prevent:
- (1) the issue of any equity share capital to employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) whether of the Guarantor or any of the Guarantor's Subsidiaries or associated companies by virtue of their office or employment pursuant to any scheme or plan approved by the Guarantor or which is established pursuant to such a scheme or plan which is or has been so approved; or
  - (2) any consolidation, reclassification or subdivision of the Ordinary Shares; or
  - (3) any modification of such rights which is not, in the opinion of an Independent Financial Adviser, materially prejudicial to the interests of the holders of the Bonds; or
  - (4) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of the Articles of the Issuer relating to roundings and minimum adjustments or the carry forward of adjustments or, where comprising Ordinary Shares, the fact that the consideration per Ordinary Share receivable therefor is at least 95 per cent. of the Current Market Price per Ordinary Share, otherwise result, in an adjustment to the Exchange Price; or
  - (5) without prejudice to any rule of law or legislation (including regulations made under Sections 783, 784(3), 785 and 788 of the Companies Act or any other provision of that or any other legislation), the conversion of Ordinary Shares into, or the issue of any Ordinary Shares in, uncertificated form (or the conversion of Ordinary Shares in uncertificated form to certificated form) or the amendment of the Articles of Association of the Guarantor to enable title to Securities (including Ordinary Shares) to be evidenced and transferred without a written instrument or any other alteration to the Articles of Association of the Guarantor made in connection with the matters described in this Condition 11(b)(ii) 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
  - (6) 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 Exchange 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 resulting in a decrease in the Exchange Price is required and, if so, the new Exchange 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); or

- (7) any alteration to the articles of association of the Guarantor 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
  - (8) without prejudice to Article 2.4.5(B)(a)(x) of the Articles of the Issuer and Condition 7(e), the amendment of the articles of association of the Guarantor following a Change of Control to ensure that any Bondholder exercising its Conversion Right after the occurrence of a Change of Control will receive the same consideration for the Ordinary Shares arising on conversion as it would have received had it exercised its Conversion Right at the time of the occurrence of the Change of Control;
- (iii) except as part of any employee, director or executive share or option or incentive scheme, procure that no Securities (whether issued by the Guarantor or any Subsidiary of the Guarantor or procured by the Guarantor or any Subsidiary of the Guarantor to be issued or issued by any other person pursuant to any arrangement with the Guarantor or any Subsidiary of the Guarantor) 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 first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of the Articles of the Issuer relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Exchange 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;
  - (iv) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on the exercise of Share Exchange Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
  - (v) not reduce its issued share capital, share premium account, or any uncalled liability in respect thereof, or any non-distributable reserves, except:
    - (1) pursuant to the terms of issue of the relevant share capital; or
    - (2) by means of a purchase or redemption of share capital of the Guarantor to the extent permitted by applicable law; or
    - (3) as permitted by Section 610 (2) and (3) of the Companies Act; or
    - (4) where the reduction does not involve any distribution of assets to Shareholders; or
    - (5) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed; or
    - (6) a reduction of its share premium account to facilitate the writing off of goodwill arising on consolidation which requires the confirmation of the High Court and which does not involve the return, either directly or indirectly, of an amount standing to the credit of the share premium account of the Guarantor and in respect of which the Guarantor shall have tendered to the High Court such undertaking as it may require prohibiting, so long as any of the Bonds remains outstanding, the distribution (except by way of



capitalisation issue) of any reserve which may arise in the books of the Guarantor as a result of such reduction; or

- (7) to create distributable reserves (to which, in respect of any such creation of distributable reserves by the Guarantor, the Trustee will be deemed to have irrevocably given its consent (without any liability for so doing) prior to such creation of distributable reserves occurring and, to the extent that express consent is required, the Bondholders authorise and direct the Trustee to give its consent (without any liability for so doing) to such creation of distributable reserves); or
- (8) pursuant to a Newco Scheme; or
- (9) by way of transfer to reserves as permitted under applicable law; or
- (10) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser, acting as an expert, that the interests of the Bondholders will not be materially prejudiced by such reduction; or
- (11) where the reduction is permitted by applicable law and results in (or would, but for the provisions of the Articles of the Issuer relating to roundings or the carry forward of adjustments, result in) an adjustment to the Exchange Price or is otherwise taken into account for the purposes of determining whether such an adjustment should be made,

provided that, without prejudice to the other provisions of these Conditions, the Guarantor may exercise such rights as it may from time to time be entitled pursuant to applicable law to purchase, redeem or buy back its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

- (vi) 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) Shareholders other than the offeror and/or any associates (as defined in Section 988(1) of the Companies Act or any modification or re-enactment thereof) of the offeror) to acquire the whole or any part of the issued Ordinary Shares, or if any person proposes a scheme with regard to such acquisition (other than a Newco Scheme), give notice of such offer or scheme to the Bondholders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices of the Paying, Transfer and Conversion Agents and, where such an offer or scheme has been recommended by the board of directors of the Guarantor, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Ordinary Shares issued during the period of the offer or scheme arising out of the exercise of Conversion Rights and Share Exchange Rights and/or to the holders of the Bonds;
- (vii) in the event of a Newco Scheme, 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 and the Deed Poll as principal obligor in place of the Issuer (with the Guarantor 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 the Deed Poll (jointly and severally with the Guarantor) and, in either case, that (i) such amendments are made to these Conditions, the Trust Deed and the Deed Poll as are necessary, in the opinion of the Trustee, to ensure that the Bonds may be converted into or exchanged (whether by the exchange for preference shares or

otherwise) for ordinary shares or units or the equivalent in Newco *mutatis mutandis* in accordance with and subject to these Conditions, and the Trust Deed and (ii) the ordinary shares or units or the equivalent of Newco are:

- (1) admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market; or
  - (2) admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market.
- (viii) use all reasonable endeavours to ensure that the Ordinary Shares issued upon exercise of Share Exchange Rights will, as soon as is practicable, be admitted to listing and to trading on the Relevant Stock Exchange and will be listed, quoted or dealt in, as soon as is practicable, on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;
- (ix) for so long as any Bond remains outstanding, use all reasonable endeavours to ensure that its issued and outstanding Ordinary Shares shall be admitted to listing on the Relevant Stock Exchange; and
- (x) be the beneficial owner of all of the ordinary share capital of the Issuer.

(c) *Undertakings of the Issuer and the Guarantor*

Whilst any Bond remains outstanding, the Issuer will, and the Guarantor will procure that the Issuer will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (i) not become domiciled or resident in or subject generally to the taxing authority of any jurisdiction (other than the United Kingdom) unless it would not thereafter be required pursuant to then current laws and regulations to withhold or deduct for or on account of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of such jurisdiction or any applicable sub-division thereof or therein having power to tax in respect of any payment on or in respect of the Bonds;
- (ii) comply with the obligations assumed by it under the Articles of the Issuer and not make any amendment to the Articles of the Issuer which would vary, abrogate or modify the rights appertaining to the Preference Shares;
- (iii) at all times, keep available for issue, free from pre-emptive rights out of its authorised but unissued capital, such number of Preference Shares as would enable all the unexercised Conversion Rights and any other rights of conversion into, subscription for and exchange into Preference Shares to be satisfied in full;
- (iv) not issue any other share capital with rights which are more favourable than the rights attaching to the Preference Shares in respect of dividends or payment of the Paid-up Value thereof or on a return of capital or otherwise;
- (v) not cause the Paid-up Value of the Preference Shares to be altered (whether by consolidation or sub-division of the Preference Shares or otherwise); and

- (vi) except with the prior written consent of the Trustee pursuant to the Trust Deed, not alter those provisions of the Trust Deed which are expressed to be binding only as between the Issuer and the Guarantor and not directly enforceable by Bondholders,

provided that the creation or issue of any class of share capital ranking junior to or *pari passu* with the Preference Shares as respects rights to dividends and to payment of the paid-up value thereof on a return of capital or otherwise shall be deemed not to be a variation, abrogation or modification of the rights appertaining to the Preference Shares.

The Issuer and the Guarantor have each undertaken in the Trust Deed to deliver to the Trustee annually a certificate signed by two of their respective directors as to there not having occurred an Event of Default or Potential Event of Default since the date of the last such certificate or, if such event has occurred, as to the details of such event. The Trustee will be entitled to rely on such certificate and shall not be obliged to independently monitor compliance by the Issuer or the Guarantor with the undertakings set forth in this Condition 11, nor be liable to any person for not so doing.

## **12 Prescription**

Claims against the Issuer and the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of such payment.

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

## **13 Replacement of Bonds**

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying, Transfer and Conversion Agent 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 and the Guarantor may require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

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

### *(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 or the Deed Poll or the Articles of the Issuer (in the case of the Articles of the Issuer, which would vary, abrogate or modify the rights appertaining to the Preference Shares). Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing 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 so held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change the Final Maturity Date or the First Call Date (other than deferring the First Call Date) or the dates on which interest is payable in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds

pursuant to Condition 7(b), (c) or (e), (iii) to reduce or cancel the principal amount of, or interest on, the Bonds or to reduce the amount payable on redemption of the Bonds, (iv) to modify the basis for calculating the interest payable in respect of the Bonds, (v) to modify the provisions relating to, or cancel, the Conversion Rights or Share Exchange Rights, (other than pursuant to or as a result of any amendments to these Conditions, the Trust Deed, the Deed Poll or the Articles of the Issuer made pursuant to and in accordance with the provisions of Condition 11(b)(vii) following (or as part of) a Newco Scheme (“Newco Scheme Modification”) and other than a reduction to the Exchange Price or an increase in the number of Preference Shares to be issued to Bondholders on exercise of Conversion Rights), (vi) to increase the Exchange Price (other than in accordance with the Articles of the Issuer or pursuant to a Newco Scheme Modification) or to reduce the number of Preference Shares to be issued to Bondholders on exercise of Conversion Rights, (vii) to change the currency of the denomination or any payment in respect of the Bonds, (viii) to change the governing law of the Bonds, the Trust Deed, the Deed Poll or the Agency Agreement (other than in the case of a substitution of the Issuer (or any previous substitute or substitutes) under Condition 14(c)), (ix) to modify the Articles of the Issuer so as to vary, abrogate or modify the rights appertaining to the Preference Shares or (x) 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 two-thirds, or at any adjourned meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed at any meeting of the Bondholders shall be binding on all of the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

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, 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 these Conditions, the Deed Poll or the Articles of the Issuer which in the Trustee’s opinion is of a formal, minor or technical nature or is made to correct a manifest 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 these Conditions, the Deed Poll or the Articles of the Issuer (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 these Conditions, the Deed Poll or the Articles of the Issuer which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation, waiver or determination shall be binding on the Bondholders and, if the Trustee so requires, shall be notified to the Bondholders promptly in accordance with Condition 17.

(c) *Substitution*

The Trustee may, without the consent of the Bondholders, agree any substitution as provided in, and for the purposes of, Condition 11(b)(vii) following (or as part of) a Newco Scheme or to the substitution in place of the Issuer (or any previous substitute or substitutes under this Condition) as the principal debtor under the Bonds and the Trust Deed of any Subsidiary of the Guarantor subject to (a) the obligations of the Guarantor under the Trust Deed applying *mutatis mutandis* to the Bonds and under the Deed Poll applying *mutatis mutandis* to such Preference Shares, and (b) the Bonds continuing to be convertible *mutatis mutandis* as provided in these Conditions, into preference shares in the capital of the substituted company with like rights, *mutatis mutandis*, to the Preference Shares and to such preference shares being immediately exchangeable for Ordinary Shares *mutatis mutandis* as provided in the Articles of the Issuer, with such amendments as the Trustee shall consider appropriate provided that in any such case, (x) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution, and (y) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders, to a change of the law governing the Bonds 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 shall be notified to the Bondholders promptly 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 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 be entitled to claim, from the Issuer or the Guarantor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

## 15 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer as it may think fit to enforce the provisions of the Trust Deed and the Bonds, but it shall not be bound to take any such proceedings or any other action or step in relation to the Trust Deed or the Bonds 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 shall be entitled to proceed directly against the Issuer or the Guarantor 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, the Guarantor and any entity related to the Guarantor without accounting for any profit.

The Trustee may rely without liability to Bondholders on a report, confirmation or certificate or opinion or any advice of any accountants, financial advisers, financial institution or other expert, 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 may accept and shall be entitled to rely on any such report, opinion, confirmation or certificate or advice and such report, opinion, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Bondholders.

## **17 Notices**

All notices regarding the Bonds will be valid if published through the electronic communication system of Bloomberg. The Issuer shall also ensure that all notices are duly published (if such publication is required) 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 and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such notice. 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.

## **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 the first date on which conversion rights may be exercised 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 and Jurisdiction**

### *(a) Governing Law*

The Trust Deed, the Agency Agreement, the Deed Poll and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

### *(b) Jurisdiction*

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed or the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed or the Bonds (“Proceedings”) may be brought in such courts. The Issuer and the Guarantor have in the Trust Deed irrevocably submitted to the jurisdiction of such courts and have waived any objection to Proceedings in such courts whether on the ground of

venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of the Trustee and each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) *Agent for Service of Process*

The Issuer has irrevocably appointed the Guarantor at its registered office for the time being, currently at 25 Savile Row London W15 2ER as its agent in England to receive service of process in any Proceedings in England. Nothing herein or in the Trust Deed shall affect the right to serve process in any other manner permitted by law.

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

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

### **1 Exchange for Definitive Registered Bonds**

The Global Bond is exchangeable in whole but not in part (free of charge to the holder) for Definitive Registered Bonds if the Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg or such other clearing system as shall have been approved by the Trustee (the “Alternative Clearing System”), and any such clearing system is closed for business for a continuous period of 14 days or more (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so by such holder giving notice to the Principal Paying, Transfer and Conversion Agent.

On or after the Exchange Date the holder of the Global Bond may surrender it to or to the order of the Registrar. 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 Registered Bonds.

“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 Registrar is located and in the cities in which Euroclear and Clearstream, Luxembourg or, if relevant, the Alternative Clearing System are located.

Except as otherwise described herein, the Global Bond is subject to the Terms and Conditions of the Bonds and the Trust Deed and until it is exchanged for Definitive Registered Bonds, its holder shall be entitled to the same benefits as if it were the holder of the Definitive Registered Bonds for which it may be exchanged and as if such Definitive Registered Bonds had been issued on the date of the Global Bond.

### **2 Payments**

The Issuer is obligated to pay such amount or amounts as shall become due and payable from time to time in respect of the Bonds and otherwise to comply with the Terms and Conditions of the Bonds. Each payment shall be made to or to the order of the person whose name appears at the relevant time in the register of Bondholders as holder of the Bonds in respect of which the Global Bond is issued.

### **3 Notices**

So long as the Global Bond is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices required to be given to Bondholders may be given by their being delivered to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System, rather than by notification as required by the Terms and Conditions of the Bonds in which case such notices shall be deemed to have been given to Bondholders on the date of delivery to Euroclear and Clearstream, Luxembourg or, as the case may be, the Alternative Clearing System.

### **4 Prescription**

Any claim in respect of principal, interest and other amounts payable in respect of the Global Bond will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the appropriate Relevant Date (as defined in Condition 3).



## **5 Meetings**

The holder of the Global Bond shall be treated as one person for the purposes of any quorum requirements of a meeting of Bondholders and, at any such meeting, as having one vote in respect of each £100,000 principal amount of Bonds for which the Global Bond may be exchanged.

## **6 Purchase and Cancellation**

Cancellation of any Bond represented by the Global Bond which is required by the Terms and Conditions of the Bonds to be cancelled will be effected by reduction in the principal amount of the Global Bond on its presentation to or to the order of the Principal Paying, Transfer and Conversion Agent for notation.

## **7 Conversion Rights**

For so long as the Global Bond is held on behalf of any one or more of Euroclear, Clearstream, Luxembourg or the Alternative Clearing System, Conversion Rights (as defined in the Conditions) may be exercised as against the Issuer at any time during the Conversion Period by the presentation to or to the order of the Principal Paying, Transfer and Conversion Agent of the Global Bond for appropriate notation, together with one or more Conversion Notices duly completed by or on behalf of a holder of a book-entry interest.

## **8 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.

## **9 Redemption at the Option of Bondholders**

The option of the Bondholders provided for in Condition 7(e) may be exercised by the holder of the Global Bond giving notice to the Principal Paying, Transfer and Conversion Agent within the time limits relating to the deposit of Bonds as set out in Condition 7(e), substantially in the form of the Change of Control Put Exercise Notice available from the Principal Paying, Transfer and Conversion Agent and stating the principal amount of Bonds in respect of which the option is exercised and at the same time presenting the Global Bond to the Principal Paying, Transfer and Conversion Agent for annotation accordingly.

## **10 Bondholders' tax option**

The option of the Bondholders provided for in Condition 7(c) shall be exercised by the presentation to or to the order of the Principal Paying, Transfer and Conversion Agent of a duly completed Bondholder's Tax Redemption Notice within the time limits set out in and containing the information required by Condition 7(c).

## **USE OF PROCEEDS**

The Group intends to use the net proceeds of the offering to help fund its development pipeline and increase resources for future acquisition opportunities whilst also taking advantage of current favourable market conditions to diversify its medium-term sources of finance.

## DESCRIPTION OF DERWENT LONDON CAPITAL (JERSEY) LIMITED

### Introduction

The Issuer was incorporated in Jersey (registered number 108098) on 6 May 2011 as a public company limited by shares under the Companies (Jersey) Law 1991, as amended, under the name Derwent London Capital (Jersey) Limited. The registered address of the Issuer is 47 Esplanade, St. Helier, Jersey, JE1 0BD, telephone number +44 (0)1534 835600.

### Business of the Issuer

The Issuer is a wholly-owned subsidiary of the Guarantor and its sole purposes are (i) to issue the Bonds and the Preference Shares into which the Bonds are convertible and (ii) to grant the loan of the proceeds of the issue of the Bonds directly or indirectly to the Guarantor or any of its subsidiaries. Since the date of its incorporation, other than entering into contracts in connection with the issue of the Bonds or in connection with the corporate administration, the Issuer has not commenced business, nor has it incurred any liabilities.

### Share Capital of the Issuer

The Issuer has no subsidiaries. The Issuer can issue Founders' Shares or Preference Shares. Founders' Shares are issuable at their par value of £100 each and Preference Shares are issuable at an agreed issue price of £100,000 each on conversion of the Bonds (although their par value is £0.01 each).

As at the date of this Offering Circular, the Issuer had issued two Founders' Shares to the Guarantor at an agreed price of £100 each.

### Corporate Administration

Dominion Corporate Services Limited of 47 Esplanade, St. Helier, Jersey JE1 0BD will act, or procure that a subsidiary acts, as the corporate services provider for the Issuer (the "Corporate Services Provider") pursuant to the terms of a corporate services agreement entered into between the Issuer and the Corporate Services Provider. In consideration of the foregoing, the Corporate Services Provider is entitled to receive various fees payable by the Issuer at rates agreed upon from time to time, plus expenses.

### Management and Employees

The Issuer has no employees other than those directors listed below in the section entitled "*Directors and Secretary*".

### Directors and Secretary

The directors of the Issuer and their other principal activities as at the date hereof are as follows:

<b>Name</b>	<b>Other principal activities</b>
John David Burns	Chief Executive of the Guarantor
Damian Mark Alan Wisniewski	Finance Director of the Guarantor
Nigel Quentin George	Executive Director of the Guarantor
Paul Malcolm Williams	Executive Director of the Guarantor

The company secretary of the Issuer is Dominion Corporate Services Limited of 47 Esplanade, St. Helier, Jersey JE1 0BD.

The business address of the directors is 25 Savile Row, London W1S 2ER.

### **Directors' Interests**

No director has any interest in the promotion of, or any property acquired or proposed to be acquired by, the Issuer. The directors are all employees or officers of the Guarantor. No director has any conflict of interest and/or any potential conflict of interest between any of his duties to the Issuer and his private interests and/or other duties. As a matter of Jersey law, each director is under a duty to act honestly and in good faith with a view to the best interests of the Issuer, regardless of any other directorships he may hold.

### **Financial Statements and Auditors' Report**

The Issuer will prepare and publish audited financial statements on an annual basis, which will be filed in accordance with Jersey Law. The Issuer only intends to prepare audited annual financial statements. As at the date of this Offering Circular the Issuer has not yet prepared any financial statements.

It is anticipated that the Issuer will have an accounting reference date of 31 December with the first fiscal year ending 31 December 2011. The auditors appointed in respect of the Issuer are BDO LLP of 55 Baker Street, London W1U 7EU. BDO LLP is authorised as an auditor of a Jersey incorporated company pursuant to Article 113 of the Companies (Jersey) Law 1991, as amended.

The audited annual financial statements will be available free of charge at the offices of the Issuer and the Corporate Services Provider.

## DESCRIPTION OF THE DERWENT LONDON GROUP

The Guarantor was incorporated and registered in England and Wales on 25 May 1984 with registered number 1819699 as a public company limited by shares with the name Jordans 172 Public Limited Company. On 25 June 1984, the name of the Guarantor was changed to Derwent Valley Holdings plc. On 1 February 2007 the Guarantor merged with London Merchant Securities plc and changed its name to Derwent London plc. The Guarantor and its subsidiaries converted into a REIT with effect from 1 July 2007.

The principal legislation under which the Guarantor operates is the Companies Act 2006 and regulations made thereunder. The Guarantor is the ultimate holding company of the Group.

The Guarantor is domiciled in the United Kingdom and its registered and head office is at 25 Savile Row, London W1S 2ER (telephone number: +44 (0)20 7659 3000).

The Group is the largest real estate investment trust focused on the central London commercial property market and owns a portfolio that comprises 5.4 million sq. ft. which was valued at £2.4 billion as at 31 December 2010. The Group mainly invests in central London (across 17 villages) where 95 per cent. of its portfolio, by property value, is located: 76 per cent. in the West End and 19 per cent. in the City borders. The balance relates to properties held in Scotland.

The portfolio comprises mostly office buildings with some retail and consists of income-producing properties and buildings offering opportunities for refurbishment or regeneration. Currently over 50 per cent. of the portfolio has been identified as being in this latter category but the timing of these projects can be managed to reflect the prevailing market conditions.

The Group is well known in the industry for its imaginative and successful schemes. It has a strategy of delivering a distinctive brand of contemporary office accommodation at mid-market rents which results from creative planning, high quality architectural design and enterprising lease management.

The Group has a diverse tenant base consisting of over 600 tenants. Media, TV, marketing and advertising companies make up 28 per cent. of the Group's tenants when weighted by rental income, whilst professional and business services firms represent a further 24 per cent. Financial companies contribute only 7 per cent. The average rent is £23.7 per sq. ft.

### **Administrative, management and supervisory bodies**

#### **Board of directors**

The directors of the Guarantor as at 26 May 2011 are listed below, together with an indication of the principal activities performed by them outside the Guarantor.

#### ***Robert Rayne, Non-executive chairman***

The Hon Robert A. Rayne joined the board in February 2007. He has been on the boards of a number of public companies, including First Leisure Corporation plc and Crown Sports plc and is currently chairman of LMS Capital plc, a company listed on the London Stock Exchange. He is also a non-executive director of Weatherford International Inc., an international oil services company quoted on the New York Stock Exchange, and was chief executive officer of London Merchant Securities plc.

#### ***John Ivey, Non-executive deputy chairman***

John Ivey, a chartered accountant, was a director of RWS Holdings plc until January 2010 and was formerly chief executive of The Davis Service Group plc. He has served on the board since 1984 and is a member of the nominations committee.

***John Burns, Chief Executive***

John Burns founded Derwent Valley Holdings in 1984 and has overall responsibility for Group strategy, business development and day-to-day operations. He is a partner in The Pilcher Hershman Partnership, estate agents.

***Simon Silver, Executive Director***

Simon Silver, co-founder of Derwent Valley Holdings, has been a director since 1986. He has overall responsibility for the development and regeneration programme. He is an honorary Fellow of the Royal Institute of British Architects. He is also a partner in The Pilcher Hershman Partnership.

***Damian Wisniewski, Finance Director***

Damian Wisniewski joined the board on 1 February 2010. A chartered accountant, he is responsible for the financial strategy, treasury, taxation and financial reporting aspects of the business. Previously, he was finance director of Treveria Asset Management. Prior to that, he was chief operating officer of the Wood Wharf Limited Partnership and group finance director of Chelsfield plc.

***Nigel George, Executive Director***

Nigel George was appointed to the board in 1998. He is a chartered surveyor specialising in acquisitions and investment analysis.

***Paul Williams, Executive Director***

With Derwent since 1987, Paul Williams is a chartered surveyor and was appointed to the board in 1998. His responsibilities include portfolio management, supervision of refurbishment and development projects and sustainability.

***David Silverman, Executive Director***

David Silverman joined the board in January 2008. He is a chartered surveyor and has particular responsibility for investment acquisitions and disposals. He has been with Derwent since 2002, having previously been with Jones Lang LaSalle, and is Chairman of Westminster Property Association.

***Robert Farnes, Non-executive director***

Robert Farnes is a chartered surveyor. He was previously the chairman of CB Hillier Parker and joined the board in 2003. He chairs the remuneration committee and is a member of the audit and nominations committees.

***Stuart Neathercoat, Non-executive director***

Stuart Neathercoat is a chartered accountant. He joined the board in 1999 and serves on the audit, remuneration and nominations committees. He is deputy chairman of Lombard Medical Technologies plc and was previously a managing director of Dresdner Kleinwort Wasserstein.

***Stuart Corbyn, Non-executive director***

Stuart Corbyn is a chartered surveyor. He was appointed to the board in 2006. Until December 2008, he was chief executive of Cadogan Estates, one of the principal private estates in London, and is a former president of the British Property Federation. He chairs the nominations committee and is a member of the audit and remuneration committees.

***June de Moller, Non-executive director***

June de Moller joined the board in February 2007. She is a non-executive director of Temple Bar Investment Trust plc and Archant Limited. Previously, she was managing director of Carlton Communications plc and a

non-executive director of Cookson Group plc, BT plc, AWG plc, J Sainsbury plc and London Merchant Securities plc. She is a member of the audit, remuneration and nominations committees.

***Stephen Young, Non-executive director***

Stephen Young joined the board in August 2010 and is the independent chairman of the audit committee. He also serves on the remuneration and nominations committees. He is group finance director at Meggitt plc. Previously, he held the position of group finance director at Thistle Hotels plc and the Automobile Association.

**Senior Management**

In the day-to-day running of the Guarantor, the board is supported by the following members of the Guarantor's senior management:

<b>Name</b>	<b>Position</b>
Tim Kite	Company Secretary
Richard Baldwin	Head of Development
Russell Durling	Group Surveyor
Gary Preston	Group Financial Controller
Asim Rizwani	Head of Property Management
Simon Taylor	Head of Asset Management
Celine Thompson	Head of Leasing
Bridget Walker	Head of Corporate Communications
David Westgate	Group Head of Tax

No potential conflicts of interest exist between the private interests and/or duties of any director or member of the senior management of the Guarantor and their duties to the Guarantor.

The business address of the directors and senior management is 25 Savile Row, London, W1S 2ER.

## PRINCIPAL SHAREHOLDERS

As at 26 May 2011 (the latest practicable date prior to the publication of this Offering Circular), the Guarantor was aware of the following persons who, directly or indirectly, were interested in 3 per cent. or more of the voting rights attached to the Guarantor's share capital:

	<b>Number of Ordinary Shares</b>	<b>Approximate percentage of the voting rights attached to the issued share capital</b>
Withers Trust Corp Ltd.....	6,205,944	6.13
Withers Trust & James McCarthy.....	5,548,731	5.48
Cohen & Steers Inc.....	5,231,757	5.17
BlackRock Inc.....	5,035,211	4.98
Robert Anthony Rayne.....	4,350,017	4.30
Standard Life Investment Ltd.....	4,284,390	4.23
Third Avenue Management LLC.....	3,944,764	3.90
Lady Jane Rayne.....	3,593,838	3.55
Legal & General Group plc.....	3,482,391	3.44



## **DESCRIPTION OF THE ISSUER'S SHARE CAPITAL AND THE PREFERENCE SHARES**

*Words and/or expressions defined in the Terms and Conditions of the Bonds have the same meanings in this description of the Issuer's share capital unless the context otherwise requires.*

### **Issuer's Share Capital**

The authorised share capital of the Issuer is £110,000, divided into 1,000 Founders' Shares with a nominal value of £100 each and 1,000,000 Preference Shares with a nominal value of 1 pence (£0.01) each.

As at the date of this Offering Circular, the Issuer had issued two Founders' Shares at their par value of £100 each.

### **Founders' Shares**

Founders' Shares shall only be issued to, or for the benefit of, the Guarantor or to, or for the benefit of, a person previously approved in writing by the Guarantor.

### **Preference Shares**

Preference Shares shall only be issued on conversion of the Bonds pursuant to the Terms and Conditions of the Bonds and the terms of the Trust Deed and shall be issued at a price, credited as fully paid, of £100,000 per Preference Share (the "Paid-up Value") with the excess over the par value of £0.01 credited to the share premium account. The terms of the Preference Shares are set out in the Articles of the Issuer. Holders of the Preference Shares will also have the benefit of the Deed Poll and will be entitled to the benefit of, will be bound by, and will be deemed to have notice of, all the provisions of the Articles of the Issuer and the Deed Poll. The Articles of the Issuer contain provisions to the following effect:

#### **1 Dividends**

- (a) Each Preference Share will on allotment, and subject to the relevant provisions of the Companies (Jersey) Law 1991, as amended, confer on the holder thereof a right to receive a fixed cumulative dividend at the rate of 2.75 per cent. per annum of the Paid-up Value of each such Preference Share payable semi-annually in arrear on 15 January and 15 July in each year (each a "Dividend Payment Date") commencing with the Dividend Payment Date falling on 15 January 2012 except that no such dividend shall accrue on such Preference Share prior to its allotment. The dividend payable in respect of each Preference Share for any period which is shorter than a Dividend 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 Dividend Payment Date (or, if none, the Closing Date) to (but excluding) the next Dividend Payment Date and the number of Dividend Periods normally ending in any year, where "Dividend Period" means each period beginning on (and including) a Dividend Payment Date and ending on (but excluding) the next succeeding Dividend Payment Date. Such dividends shall accrue from day to day. Each Preference Share will cease to accrue dividends from and including its due date for redemption. No account will be taken of accrued dividends on an exchange pursuant to any Share Exchange Right.
- (b) The fixed cumulative dividend payable in respect of the Preference Shares shall be paid in priority to any dividend in respect of any other class of shares in the capital of the Issuer, other than any such class that ranks *pari passu* with the Preference Shares as respects rights to dividends.

- (c) The Founders' Shares shall, subject to the relevant provisions of the Companies (Jersey) Law 1991, as amended, confer on the holders thereof the right to receive any profits of the Issuer, after the payment to the holders of the Preference Shares of their fixed cumulative dividend and after payment of any other preferential dividend on any other class of shares, up to a maximum of £10,000,000 in any year.
- (d) The obligations of the Issuer to pay dividends are subject to applicable law in Jersey.

## 2 Capital

On a winding-up of the Issuer or other return of capital (other than a purchase or redemption of any Preference Share or any share of any other class), the assets of the Issuer available for distribution shall be applied in the following priority:

- (a) first, the Preference Shares shall carry the right (the "First Right"), *pari passu* with the shares of any class having the like right, to payment of the Paid-up Value thereof, together with a sum equal to any accrued but unpaid preferential dividend due in respect of such Preference Shares to be calculated to (but excluding) the date when payment of the return of capital is made and to be payable irrespective of whether or not such dividend has been declared or earned, and the right to all the surplus assets of the Issuer, save to the extent that such assets represent retained earnings up to a maximum of £250,000,000. (In the event that the assets of the Issuer available for distribution are insufficient to repay in full the Paid-up Value of each Preference Share or shares carrying the like right together with such accruals, the available assets shall be apportioned pro rata amongst the Preference Shares and shares carrying the like right then in issue according to the Paid-up Value and the amount at which any such other share is credited as paid-up and accruals outstanding);
- (b) second, the Founders' Shares shall carry the right to payment *pari passu* of the amount of capital paid up (including credited as paid up) thereon; and
- (c) third, any surplus assets then remaining shall be distributed *pari passu* amongst the holders of the Founders' Shares in proportion to the amounts paid-up thereon, up to a maximum of £250,000,000.

## 3 Redemption

- (a) The Preference Shares in respect of which the Share Exchange Right has been exercised or is deemed to have been exercised may be redeemed for cash at their Paid-up Value at any time after the first transfer of the same into the name of the Guarantor or its nominee or any subsequent holder of the Preference Shares on any date specified by the holder for the time being in any notice (which may be a standing notice) given by the holder to the Issuer requiring such redemption either forthwith or on any subsequent date.
- (b) On redemption of a Preference Share, the Issuer will cancel the Preference Share and any certificate relating thereto and such Preference Share may not be reissued or sold as a Preference Share.
- (c) The obligations of the Issuer to redeem shares are subject to applicable law in Jersey.

## 4 Share Exchange Right

If Conversion Rights are exercised or deemed to have been exercised in respect of the Bonds, the Issuer will procure that the Preference Shares issued in respect thereof will be exchanged immediately for Ordinary Shares on the relevant Conversion Date. A summary of the provisions of the Articles of the Issuer in this respect is set out in "*Terms and Conditions of the Bonds – Conversion of Bonds*".

## **5 Voting and General Meetings**

- (a) Preference Shares and Founders' Shares shall entitle the holders thereof to receive notice of and to attend and vote at every general meetings of the Issuer.
- (b) No vote at any general meeting of the Issuer shall be taken on a show of hands. On a poll every holder of Preference Shares who (being an individual) is present in person or by proxy, or (being a corporation) is present by representative or by proxy shall have one vote for each Preference Share registered in the name of such holder and every holder of Founders' Shares who (being an individual) is present in person or by proxy or (being a corporation) is present by representative or by proxy shall have one million votes in respect of each Founders' Share registered in the name of such holder.

## **6 Transfers**

- (a) Any Preference Share in respect of which the Share Exchange Right has been or is deemed to have been exercised shall forthwith upon allotment and issue of the same be transferred to the Guarantor or its nominee in exchange for the issue to the holder thereof of that number of fully paid Ordinary Shares to which the holder is entitled upon exercise (or deemed exercise) of the Share Exchange Right. Any such transfer shall be effected by the Issuer or the Guarantor (or a person appointed for this purpose by the Issuer or the Guarantor) as agent for the holder thereof and the Issuer or the Guarantor (or a person appointed for this purpose by the Issuer or the Guarantor) is authorised by such holder to execute all such documents and do all such things as may be necessary properly to effect the same, without any cost or liability to, or any further action required by, the holder (save as provided in the Articles of the Issuer).
- (b) Transfers of Preference Shares shall be effected by any instrument of transfer in common or usual form or such other form as may be approved by the board of directors of the Issuer. The transferor shall be deemed to remain the holder of a Preference Share until the name of the transferee is entered in the register in respect of it. All instruments of transfer, when registered, may be retained by the Issuer.

## **7 Payments**

- (a) Payments in respect of a Preference Share may be made by cheque or warrant and mailed to the holder (or to the first-named of joint holders) of such Preference Shares at his registered address (or to such address as such holder may direct) and at his risk.
- (b) All payments in respect of the Preference Shares shall be made subject to the deduction of or withholding of, or on account of, any taxation in Jersey or the United Kingdom required or permitted by applicable law to be withheld or deducted at source. No additional payment will be required to be made in respect of such withholding or deduction.
- (c) In determining amounts to be paid to Preference Shareholders, fractions of one penny will be rounded to the nearest penny with one half of one penny being rounded upwards.
- (d) Any unclaimed dividend may be invested or otherwise made use of by the directors of the Issuer for the benefit of the Issuer until claimed and any dividend which has remained unclaimed for a period of 10 years from the date when it became due for payment shall, if the directors of the Issuer so resolve, be forfeited and cease to remain owing by the Issuer and shall thenceforth belong to the Issuer absolutely.

## 8 Variation of Rights

- (a) Subject to the provisions of the Companies (Jersey) Law 1991, as amended, all or any of the rights for the time being attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Issuer is being wound-up) be varied or abrogated with the consent in writing of the holders of not less than two-thirds in number of the issued shares of that class or with the sanction of a special resolution (that is one passed by a majority of not less than two-thirds of members who (being entitled to do so) vote in person or by proxy) passed at a separate general meeting of the holders of those shares. All the provisions of the Articles of the Issuer as to general meetings of the Issuer shall *mutatis mutandis* apply to any such separate general meeting, except that the necessary quorum shall be persons holding or representing by proxy at least one third in number of the issued shares of the class but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those holders who are present in person or by proxy shall be a quorum.
- (b) The rights attached to the Preference Shares shall unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed not to be varied by the creation or issue of further shares ranking after or *pari passu* therewith.

## DESCRIPTION OF THE DEED POLL

*Words and expressions defined in “Terms and Conditions of the Bonds” and “Description of the Issuer’s Share Capital and the Preference Shares” have the same meanings in this description of the Deed Poll, unless the context otherwise requires. References to particular Terms and Conditions of the Bonds shall be to the relevant Condition set out in “Terms and Conditions of the Bonds”.*

The Deed Poll contains provisions to the following effect:

### **1 Guarantee**

The Guarantor has unconditionally and irrevocably undertaken to the Issuer and to each of the Preference Shareholders to make due and punctual payment (subject as provided in the Deed Poll) of all Redemption Monies, dividends and other amounts expressed to be payable in respect of the Preference Shares or, if Preference Shares shall not have been issued as so required by the Terms and Conditions of the Bonds, which would have been payable on such Preference Shares had the same been so issued when so required, on the due date for payment or, if Preference Shares shall not have been so issued as aforesaid, on what would have been the due date for payment had such Preference Shares been so issued, to the extent that the same shall not be paid by the Issuer, regardless of (i) whether the profits of the Issuer justify the relevant payment of any dividend, (ii) whether the relevant amounts shall be available for distribution or payment by the Issuer, (iii) whether payment thereof shall have been declared or approved by or on behalf of the Issuer or by the Issuer in general meeting, (iv) whether the payment thereof by the Issuer shall be prohibited by law or (v) where Preference Shares shall not have been so issued the fact that for whatever reason such Preference Shares shall not have been issued. Such obligations will constitute senior, unsubordinated, direct, unconditional and (subject to Condition 2) unsecured obligations of the Guarantor.

### **2 Payments**

All payments made by the Guarantor pursuant to the Deed Poll shall be made without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within Jersey or the United Kingdom or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Guarantor shall not be required to pay any additional amounts to Preference Shareholders to compensate for such withholding or deduction.

When making any payments to Preference Shareholders, fractions of one penny will be rounded down to the nearest penny.

### **3 Undertaking to deliver Ordinary Shares**

The Guarantor has undertaken that, on each occasion on which Conversion Rights related to a Bond are exercised, it will purchase the relevant Preference Shares arising on such conversion and, in consideration for such purchase, deliver such number of fully paid Ordinary Shares as results from dividing the Paid-up Value of the relevant Preference Share by the Exchange Price in effect on the relevant Conversion Date in accordance with the Terms and Conditions of the Bonds.

### **4 Other Undertakings**

The Guarantor has undertaken that whilst any Conversion Right or Share Exchange Right remains exercisable, save with the approval of the Bondholders by an Extraordinary Resolution or with the approval

of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval, it will comply with the covenants given by it in the Deed Poll (see "*Terms and Conditions of the Bonds – Undertakings*"). The Guarantor will, in the event of failure of the Issuer so to perform when due, procure the performance by the Issuer of all the obligations to be performed by the Issuer in respect of the exercise of Conversion Rights and Share Exchange Rights.

## DESCRIPTION OF THE ORDINARY SHARES

The following summary of certain provisions of the Articles of Association of the Guarantor (the “Articles”), although not complete, contains all necessary and material information.

### Share Capital

As at the date of this Offering Circular, the Guarantor’s issued share capital is £5,060,014.85 comprising 101,200,297 ordinary shares of 5 pence each, each credited as fully paid. The principal governing legislation for the shares is the Companies Act 2006.

The Guarantor’s shares are in registered form and shares have been issued in both certificate and uncertificated form. The Guarantor’s registrar is Equiniti, whose address is Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

The Ordinary Shares currently in issue are listed on the Official List of the UKLA and are admitted to trading on the Regulated Market of the London Stock Exchange. The ISIN number for the Ordinary Shares is GB0002652740. Information relating to the Ordinary Shares and the past performance and volatility of the Ordinary Shares can be obtained at <http://www.derwentlondon.com>.

### Share Rights

Subject to applicable statutes (in this section “legislation”) and existing shareholders’ rights, the Guarantor may issue shares with any rights or restrictions attached to them. These rights or restrictions can either be decided by an ordinary resolution passed by the shareholders or be decided by the directors as long as there is no conflict with any resolution passed by the shareholders. These rights and restrictions will apply as if they were set out in the Articles. Redeemable shares may be issued, subject to existing shareholders’ rights. The directors can decide on the terms and conditions and the manner of redemption of any redeemable share. These terms and conditions will apply as if they were set out in the Articles. Subject to the legislation and existing shareholders’ rights, the directors can decide how to deal with any shares in the Guarantor.

### Voting Rights

Shareholders will be entitled to vote at a general meeting or class meeting whether on a show of hands or a poll, as provided in the legislation. The Companies Act 2006 provides that:

- (i) on a show of hands every member present in person has one vote and every proxy present who has been duly appointed by one or more members will have one vote, except that a proxy has one vote for and one vote against if the proxy has been duly appointed by more than one member and the proxy has been instructed by one or more members to vote for and by one or more other members to vote against. For this purpose the Articles provide that, where a proxy is given discretion as to how to vote on a show of hands, this will be treated as an instruction by the relevant shareholder to vote in the way that the proxy decides to exercise that discretion; and
- (ii) on a poll every member has one vote per share held by him and he may vote in person or by one or more proxies. Where he appoints more than one proxy, the proxies appointed by him taken together shall not have more extensive voting rights than he could exercise in person.

This is subject to any rights or restrictions which are given to any shares or on which shares are held.

If more than one joint shareholder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share.

### **Restrictions**

No shareholder is entitled to vote shares at any general meeting or class meeting if he has not paid all amounts relating to those shares which are due at the time of the meeting or if he has been served with a restriction notice (as defined in the Articles) after failure to provide the Guarantor with information concerning interests in those shares required to be provided under the legislation.

### **Dividends and Other Distributions**

The shareholders may by ordinary resolution from time to time declare dividends not exceeding the amount recommended by the directors. Subject to the legislation, the directors may pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Guarantor, in the opinion of the directors, justifies any such payments. If the directors act in good faith, they are not liable for any loss that shareholders may suffer because a lawful dividend has been paid on other shares that rank equally with or behind their shares.

The directors may withhold all or any part of any dividend or other money payable in respect of the Guarantor's shares from a person with a 0.25 per cent. or greater holding of the existing shares of a class (calculated excluding any shares held as treasury shares) if such a person has been served with a restriction notice (as defined in the Articles) after failure to provide the Guarantor with information concerning interests in those shares required to be provided under the legislation.

Unless the rights attached to any shares or the terms of any shares say otherwise, all dividends will be divided and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid, and dividends may be declared or paid in any currency.

The directors may if authorised by an ordinary resolution of the shareholders offer ordinary shareholders (excluding any member holding shares as treasury shares) the right to choose to receive extra ordinary shares which are credited as fully paid instead of some or all of their cash dividend.

Any dividend unclaimed after a period of 12 years from the date when it was declared or became due for payment will be forfeited and go back to the Guarantor unless the directors decide otherwise.

The Guarantor may stop sending dividend payments through the post or cease using any other method of payment (including payment through CREST) if (i) for two consecutive dividends the payments sent through the post have been returned undelivered or remain uncashed during the period for which they are valid or the payments by any other method have failed, or (ii) for any one dividend, the payment sent through the post has been returned undelivered or remains uncashed during the period for which it is valid or the payment by any other method has failed and reasonable enquiries have failed to establish any new postal address or account of the registered shareholder. The Guarantor will recommence sending dividend payments if requested in writing by the shareholder or the person entitled by law to the shares.

### **Variation of Rights**

If the legislation allows this, rights attached to any class of shares may be changed if this is approved either in writing by shareholders holding at least three-quarters in nominal value of the issued shares of that class (calculated excluding any shares held as treasury shares), or by a special resolution passed at a separate meeting of the holders of those shares (this is called a "class meeting"). At every such class meeting (except



an adjourned meeting) the quorum is two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class (calculated excluding any shares held as treasury shares).

If new shares are created or issued which rank equally with any other existing shares, the rights of the existing shares will not be regarded as changed or abrogated unless the terms of the existing shares expressly say otherwise.

### **Transfer of Shares**

The shares are in registered form. Any shares in the Guarantor may be held in uncertificated form and, unless the Articles say otherwise, a shareholder may transfer some or all of his uncertificated shares through CREST. Provisions of the Articles do not apply to any uncertificated shares to the extent that those provisions are inconsistent with the holding of shares in uncertificated form or with the transfer of shares through CREST.

Unless the Articles say otherwise, a shareholder may transfer some or all of his certificated shares. The transfer must be either in the usual standard form or in any other form which the directors may approve. The share transfer form must be signed or made effective in some other way by or on behalf of the person making the transfer. In the case of a partly-paid share, it must also be signed or made effective in some other way by, or on behalf of, the person to whom the share is being transferred.

The person transferring the shares will continue to be treated as a shareholder until the name of the person to whom it is transferred is put on the register for that share.

The directors can refuse to register the transfer of any shares which are not fully paid. The directors may also refuse to register the transfer of any shares in the following circumstances.

#### **Certificated shares**

- (i) A share transfer form cannot be used to transfer more than one class of shares. Each class needs a separate form.
- (ii) Transfers may not be in favour of more than four joint holders.
- (iii) The share transfer form must be properly stamped or certified or otherwise shown to the directors to be exempt from stamp duty and must be accompanied by the relevant share certificate and such other evidence of the right to transfer as the directors may reasonably require.

#### **Uncertificated shares**

- (i) Registration of a transfer of uncertificated shares can be refused in the circumstances set out in the uncertificated securities rules (as defined in the Articles).
- (ii) Transfers may not be in favour of more than four joint holders.

The directors may refuse to register a transfer of any certificated shares by a person with a 0.25 per cent. or greater holding of the existing capital (calculated excluding any shares held as treasury shares) if such a person has received a restriction notice (as defined in the Articles) after failure to provide the Guarantor with information concerning interests in those shares required to be provided under the legislation unless the directors are satisfied that they have been sold outright to an independent third party.

### **Sub-division of Share Capital**

Any resolution authorising the Guarantor to sub-divide any of its shares can provide that, as between the holders of the divided shares, different rights and restrictions of a kind which the Guarantor can apply to new shares can apply to different divided shares.

## **General Meetings**

The Articles rely on the Companies Act 2006 provisions dealing with the calling of general meetings. Under the Companies Act 2006 an annual general meeting must be called by notice of at least 21 days. The Guarantor is a “traded company” for the purposes of the Companies Act 2006 and as such is required to give at least 21 days’ notice of any other general meeting unless a special resolution reducing the period to not less than 14 days has been passed at the immediately preceding annual general meeting or at a general meeting held since that annual general meeting. Notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every member and every director. It must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. As the company is a traded company, the notice must also state the website address where information about the meeting can be found in advance of the meeting, the voting record time, the procedures for attending and voting at the meeting, details of any forms for appointing a proxy, procedures for voting in advance (if any are offered), and the right of members to ask questions at the meeting. In addition, a notice calling an annual general meeting must state that the meeting is an annual general meeting.

Each director can attend and speak at any general meeting of the Guarantor. The chairman of a meeting can also allow anyone to attend and speak where he considers that this will help the business of the meeting.

## **Directors**

### **(i) Number of directors**

The Guarantor must have a minimum of two directors and a maximum of 15 directors (disregarding alternate directors). But the shareholders can change these restrictions by passing an ordinary resolution.

### **(ii) Directors’ shareholding qualification**

The directors are not required to hold any shares in the Guarantor.

### **(iii) Appointment of directors**

Directors may be appointed by the Guarantor’s shareholders by ordinary resolution or by the directors. A director appointed by the directors must retire from office at the first annual general meeting after his appointment. A director who retires in this way is then eligible for re-appointment.

The directors or any committee authorised by the directors can appoint one or more directors to any executive position, on such terms and for such period as they think fit and they can also terminate or vary such an appointment at any time.

### **(iv) Retirement of directors by rotation**

At every annual general meeting of the Guarantor, any director who has been appointed by the directors since the last annual general meeting, any director who held office at the time of the two preceding annual general meetings and who did not retire at either of them, and any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting shall retire from office. Any director who retires at an annual general meeting may offer himself for re-appointment by the shareholders.

### **(v) Removal of Directors by Special Resolution**

The Guarantor’s shareholders can by special resolution remove any director before the expiration of his period of office.

(vi) **Vacation of office**

Any director automatically stops being a director if:

- (A) he gives the Guarantor a written notice of resignation or he offers to resign and the directors decide to accept this offer;
- (B) all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign;
- (C) he is or has been suffering from mental or physical ill health and the directors pass a resolution removing the director from office;
- (D) he has missed directors' meetings (whether or not an alternate director appointed by him attends) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office;
- (E) a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally;
- (F) he is prohibited from being a director under the legislation; or
- (G) he ceases to be a director under the legislation or he is removed from office under the Articles.

If a director stops being a director for any reason, he will also automatically cease to be a member of any committee or sub-committee of the directors.

(vii) **Alternate director**

Any director can appoint any person (including another director) to act as an alternate director. The appointment requires the approval of the directors, unless previously approved by the directors or unless the appointee is another director.

(viii) **Directors' meetings**

The directors can decide when and where to have meetings and how they will be conducted. They can also adjourn their meetings. If no other quorum is fixed by the directors, two directors are a quorum. A directors' meeting at which a quorum is present can exercise all the powers and discretions of the directors.

The directors can appoint any director as chairman or as deputy chairman and can remove him from that office at any time. Matters to be decided at a directors' meeting will be decided by a majority vote. If votes are equal, the chairman of the meeting has a second, casting vote.

All or any of the directors can take part in a meeting of the directors by way of a conference telephone or any communication equipment which allows everybody to take part in the meeting by being able to hear each of the other people at the meeting and by being able to speak to all of them at the same time. A person taking part in this way will be treated as being present at the meeting and will be entitled to vote and be counted in the quorum.

The directors can delegate any of their powers or discretions (with the power to sub-delegate) to committees of one or more persons as they think fit provided that there must be more directors on a committee than persons who are not directors. If a committee consists of more than one person, the Articles which regulate directors' meetings and their procedure will also apply to committee meetings unless these are inconsistent with any regulations for the committee which have been laid down under the Articles.

(ix) **Remuneration of directors**

The total fees paid to all of the directors (excluding any payments made under any other provision of the Articles) must not exceed £500,000 a year or any higher sum decided on by an ordinary resolution of the shareholders.

The directors or any committee authorised by the directors will decide how much remuneration a director appointed to an executive office will receive (whether as salary, commission, profit share or any other form of remuneration) and whether this is in addition to or in place of his fees as a director.

The directors or any committee authorised by the directors can give special pay to any director who, in their view, performs any special or extra services for the Guarantor.

The Guarantor may pay the reasonable travel, hotel and incidental expenses of each director incurred in attending and returning from general meetings, meetings of the directors or committees of the directors or any other meetings which as a director he is entitled to attend. The Guarantor will pay all other expenses properly and reasonably incurred by each director in connection with the Guarantor's business or in the performance of his duties as a director. The Guarantor can also fund a director's or former director's expenditure and that of a director or former director of any holding company of the Guarantor for the purposes permitted by the legislation and can do anything to enable a director or former director or a director or former director of any holding company of the Guarantor to avoid incurring such expenditure all as provided in the legislation.

(x) **Pensions and gratuities for directors**

The directors or any committee authorised by the directors may decide whether to provide pensions or other benefits to any director or former director of the Guarantor, or any relation or dependant of, or person connected to, such a person. However, if the directors want to provide a benefit to a director or former director who has not been employed by or held an office or executive position in the Guarantor or any of its subsidiary undertakings or former subsidiary undertakings or any predecessor in business of the Guarantor or any such other company, or to relations or dependants of, or persons connected to, these directors or former directors, the Guarantor's shareholders must also pass an ordinary resolution to approve the payment.

(xi) **Directors' interests**

The directors may, subject to the Articles, authorise any matter which would otherwise involve a director breaching his duty under the legislation to avoid conflicts of interest. Where the directors give authority in relation to a conflict of interest or where any of the situations described in (A) to (E) below applies in relation to a director, the directors may (a) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions related to the conflict of interest or situation; (b) impose upon the relevant director such other terms for the purpose of dealing with the conflict of interest or situation as they think fit; and (c) provide that where the relevant director obtains (otherwise than through his position as a director of the Guarantor) information that is confidential to a third party, the director will not be obliged to disclose that information to the Guarantor, or to use or apply the information in relation to the Guarantor's affairs, where to do so would amount to a breach of that confidence. The directors may revoke or vary such authority at any time.

If a director has disclosed the nature and extent of his interest in accordance with the legislation, a director can do any one or more of the following:

- (A) have any kind of interest in a contract with or involving the Guarantor or another company in which the Guarantor has an interest;
- (B) hold any other office or place of profit with the Guarantor (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the directors may decide;
- (C) alone, or through a firm with which he is associated, do paid professional work for the Guarantor or another company in which the Guarantor has an interest (other than as auditor);
- (D) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the Guarantor or any other company in which the Guarantor has an interest; and
- (E) be or become a director of any other company in which the Guarantor does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

A director does not have to hand over to the Guarantor or the shareholders any benefit he receives or profit he makes as a result of a conflict of interest authorised by the directors or anything allowed under the above provisions nor is any contract which is allowed or authorised under these provisions liable to be avoided.

(xii) **Restrictions on voting**

A director cannot vote or be counted in the quorum on a resolution relating to appointing that director to a position with the Guarantor or a company in which the Guarantor has an interest or the terms or termination of the appointment save to the extent permitted specifically in the Articles.

Subject to certain exceptions set out in the Articles, a director cannot vote on, or be counted in a quorum in relation to, any resolution of the directors on any contract in which he has an interest and, if he does vote, his vote will not be counted.

Subject to the legislation, the shareholders may by ordinary resolution suspend or relax to any extent the provisions relating to directors' interests or restrictions on voting or ratify any contract which has not been properly authorised in accordance with such provisions.

(xiii) **Borrowing and other powers**

The directors shall manage the Guarantor's business and can use all the Guarantor's powers except where the Articles say that powers can only be used by the shareholders voting to do so at a general meeting. The directors are also subject to any regulations laid down by the shareholders by passing a special resolution at a general meeting. In particular, the directors may exercise all the Guarantor's powers to borrow money, to guarantee, to indemnify, to mortgage or charge all or any of the Guarantor's undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security for any debt, liability or obligation of the Guarantor or of any third party. The directors will limit the total borrowings of the Guarantor and, so far as they are able, its subsidiary undertakings to ensure that no money is borrowed if the total amount of the group's borrowings (as defined in the Articles) then exceeds, or would as a result of such borrowing exceed, three times the Guarantor's adjusted capital and reserves (as defined in the Articles). However, the shareholders may pass an ordinary resolution allowing borrowings to exceed such limit.

(xiv) **Indemnity of directors**

As far as the legislation allows this, the Guarantor can indemnify any director or former director of the Guarantor or of any associated company against any liability and can purchase and maintain insurance against any liability for any director or former director of the Guarantor or of any associated company.

**REIT status**

The Articles contain the following provisions necessary for the Guarantor to comply with certain provisions of the REIT regime.

(i) **Identification of Substantial Shareholders**

Any registered member whose shares form part of a Substantial Shareholding (as defined in the Articles) must notify the Guarantor within two business days (or such period as the directors may specify from time to time) from the day on which the shares become part of a Substantial Shareholding.

The directors may require any person to provide information in relation to any shares in order to establish whether those shares form part of a Substantial Shareholding. If the required information is not provided within the time specified, the Board is entitled to impose sanctions, including withholding dividends (as described in paragraph (ii) below) and requiring the transfer of the shares to another person who is not, and does not thereby become, a Substantial Shareholder (as defined in the Articles) (as described in paragraph (v) below).

(ii) **Preventing payment of a dividend to a Substantial Shareholder**

The directors may, subject to certain conditions, withhold payment of any dividend on any shares that the directors believe form all or part of a Substantial Shareholding unless the directors are satisfied that the Substantial Shareholder is not beneficially entitled to the dividend. If in these circumstances payment of a dividend is withheld, the dividend may be paid subsequently if the directors are satisfied that:

- (A) the Substantial Shareholder concerned is not beneficially entitled to the dividend (see also paragraph (v) below);
- (B) the shareholding is not part of a Substantial Shareholding;
- (C) all or some of the shares and the right to the dividend have been transferred to a person who is not, and does not thereby become, a Substantial Shareholder (in which case the dividend would be paid to the transferee); or
- (D) sufficient shares have been transferred (together with the right to the dividend) such that the shares retained are no longer part of a Substantial Shareholding (in which case the dividend would be paid on the retained shares).

For this purpose, references to the “transfer” of a share include the disposal (by any means) of beneficial ownership, control of voting rights, and beneficial entitlement to dividends, in respect of that share.

(iii) **Transfer certificate**

A Substantial Shareholder may satisfy the directors that he is not beneficially entitled to a dividend by providing a certificate in such form as the directors may determine from time to time and such other

information, certifications or declarations as the directors think fit. The directors are entitled to (but not bound to) accept such certificate as evidence of the matters therein stated.

(iv) **Trust arrangements where rights to dividends have not been disposed of by a Substantial Shareholder**

If a dividend is in fact paid on shares forming part of a Substantial Shareholding (except a dividend paid in circumstances where the Substantial Shareholder is not beneficially entitled to the dividend) the dividend so paid and any income arising from it is to be held on trust by the recipient for any person (who is not, or would not following such nomination become, a Substantial Shareholder) nominated by the Substantial Shareholder concerned. If the Substantial Shareholder does not nominate anyone within 12 years after the date that the dividend is paid, the dividend is held on trust for the Guarantor.

(v) **Mandatory sale of Substantial Shareholdings**

The directors may require the disposal of shares forming part of a Substantial Shareholding if they believe that:

- (A) a Substantial Shareholder has been identified and a dividend has been announced or declared and the directors have not been satisfied that the Substantial Shareholder has transferred the right to the dividend (or otherwise is not beneficially entitled to it);
- (B) there has been a failure to provide information requested by the directors in connection with a Substantial Shareholding; or
- (C) any information provided by any person pursuant to such a request was materially inaccurate or misleading.

If a disposal of shares required by the directors is not completed within the timeframe specified by the directors or the Guarantor incurs a charge to tax as a result of a dividend having been paid on a Substantial Shareholding, the directors may arrange for the sale of the relevant shares and for the Guarantor to retain from the proceeds of sale an amount equal to any tax so payable.

(vi) **Dividends paid without deduction of tax**

The directors may require any person who applies to be paid dividends without any tax withheld to provide such certificates or declarations as the directors may require.

(vii) **Recovery from Substantial Shareholders**

If, notwithstanding the measures described above, a dividend is paid to a Substantial Shareholder and an Excess Charge (as defined in the Articles) becomes payable, the directors may require that Substantial Shareholder to pay the amount of such Excess Charge and all connected costs and expenses of the Guarantor.

### **Mandatory takeover bids in relation to the shares**

As an English public limited company, resident in the United Kingdom, the Guarantor is subject to the City Code on Takeovers and Mergers (the "City Code") published by the Panel on Takeovers and Mergers (the "Panel"). Rule 9 of the City Code stipulates, *inter alia*, that except with the consent of the Panel, when:

- (a) any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company; or

- (b) any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested,

such person shall extend (an) offer(s) to the other shareholders in the company on the basis set out in the City Code.

Where a person or group of persons acting in concert holds shares carrying more than 50 per cent. of the voting rights in a company no obligation would normally arise to make a general offer under Rule 9 if the concert party increases its aggregate shareholding. However, even if the concert party holds shares carrying over 50 per cent. of the voting rights, the Panel may, *inter alia*, regard any acquisition by a member that increases his interests in shares to 30 per cent. or more or, if he is already interested in 30 per cent. or more, which increases the percentage of shares carrying voting rights in which he is interested as giving rise to an obligation on that individual to make an offer. In the above summary, persons “acting in concert” are persons who, pursuant to an agreement or understanding (whether formal or informal), actively co-operate, through the acquisition by any of them of shares in the Guarantor, to obtain or consolidate control of the Guarantor. “Control” means a holding, or aggregate holdings, of shares carrying 30 per cent. or more of the voting rights of the Guarantor, irrespective of whether the holding or holdings give *de facto* control.

### **Squeeze-out and sell-out provisions**

Part 28 of the Companies Act 2006 governs “squeeze-out” and “sell-out” provisions, which are triggered when a person acquires 90 per cent. of both the issued shares and voting rights in a company as a result of having made a takeover offer for the company. Under this regime, such an acquirer may serve a notice on the remaining minority shareholder stating that it desires to buy their shares (“squeeze-out”) and, conversely, the remaining minority shareholder may exercise in writing its right to require the acquirer to acquire its shares (“sell out”). The consideration offered to the minority shareholder whose shares are compulsorily acquired must, in general, be the same as the consideration that was available under the takeover offer.

Both squeeze-out and sell-out rights are exercisable within a three month period from the end of the period within which the takeover offer can be accepted. Under the squeeze-out provisions, the acquirer must, at the end of six weeks from the date of the notice, send a copy of its notice and an executed transfer for the shares to the company and pay the consideration for the shares to the company, whereupon the shares will be registered in the name of the acquirer. The consideration is then held on trust by the company for the minority shareholder. Under the sell-out provisions, the acquirer is entitled and bound to acquire the shares on the terms of the takeover offer or on such other terms as may be agreed.



## TAXATION

*The comments set out below describe certain taxation matters of the United Kingdom and Jersey based on the laws and practice in force as of the date of this Offering Circular, both of which are subject to change, possibly with retrospective effect. The comments are intended as a general guide only and are not intended to be, nor should they be construed to be, legal or tax advice. They relate only to the position of persons who are the absolute beneficial owners of Bonds and, where relevant, the Preference Shares and Ordinary Shares, who hold their Bonds, Preference Shares or Ordinary Shares as investments and who are resident and (in the case of individuals) ordinarily resident for tax purposes in the UK (except insofar as express reference is made to the treatment of non-UK or non-Jersey residents). They may not apply to certain categories of person such as traders, broker-dealers, insurance companies, collective investment schemes, persons who are not domiciled in the UK or persons who have (or are deemed to have) acquired their Bonds, Preference Shares or Ordinary Shares by virtue of an office or employment, who may be subject to special rules.*

*Prospective Bondholders and Shareholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK should consult an appropriate professional adviser.*

### **1 United Kingdom Taxation**

#### **1.1 UK Withholding Tax and Interest on the Bonds**

The Issuer should be treated as resident in the UK for UK tax purposes. Payments of interest on the Bonds may nevertheless be made without deduction of or withholding on account of UK 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 admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds remain so listed, interest on the Bonds will be payable without withholding or deduction on account of the UK tax.

In all other cases, 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 HM Revenue & Customs in respect of such relief as may be available pursuant to the provisions of any applicable double taxation treaty (and subject to any other exemption that may be available to particular Bondholders).

If interest were paid under deduction of UK income tax (e.g. if the Bonds ceased to be listed on a recognised stock exchange), Bondholders who are not resident in the UK may be able to recover all or part of the tax deducted if there is an appropriate provision in an applicable double taxation treaty.

If the Guarantor makes any payments in respect of interest on the Bonds (or other amounts due under the Bonds other than the repayment of amounts subscribed for the Bonds) such payments may be subject to UK withholding tax at the basic rate, subject to such relief as may be available under the provisions of any applicable double taxation treaty or to any other exemption which may apply.

As the interest is expected to be treated as having a UK source for the purposes of UK tax, it may be chargeable to UK tax by direct assessment. In this event, where the interest is paid without withholding or deduction, the interest will not be assessed to UK tax in the hands of Bondholders who are not resident for tax purposes in the UK, except where such persons carry on a trade, profession or vocation in the UK through a UK branch or agency (or in the case of a corporate holder, a permanent establishment) in connection with which the interest is received or to which the Bonds are attributable,

in which case tax may be levied on the UK branch or agency (or permanent establishment). There are exemptions for interest received by certain categories of agents. Exemption from, or reduction of, such UK tax liability might be available under an applicable double taxation treaty.

Payments of dividends by the Guarantor on the Ordinary Shares will be made without deduction or withholding for or on account of UK tax.

Bondholders should consult their own accounting and tax advisers concerning their tax liabilities that may arise as a result of holding Bonds, or as a result of the transfer, redemption or conversion of the Bonds.

## **1.2 HMRC Information Powers**

Bondholders who are individuals should note that, in certain circumstances, HMRC has the power to obtain information (including the name and address of the beneficial owner of the right to receive interest on the Bonds) from persons in the UK (for example any paying agent or collecting agent in the UK) paying interest to or receiving interest on behalf of another person who is an individual. Information so 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.

## **1.3 UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

No SDRT should be payable on the issue, transfer or conversion of a Bond. No UK stamp duty should be payable on the issue or conversion of the Bonds, nor in practice on the transfer of the Bonds if any transfer documents are executed and retained outside the UK.

No UK stamp duty or SDRT will be payable on the issue of the Preference Shares.

No SDRT should be required to be paid in respect of the transfer of the Preference Shares. UK stamp duty should not in practice be required to be paid on the transfer of the Preference Shares provided that any transfer documents are executed and retained outside the UK.

No UK stamp duty or SDRT will be payable on any issue of Ordinary Shares by the Guarantor in exchange for Preference Shares, other than to issuers of depositary receipts or providers of clearance services or their nominees or agents (see further below).

The written conveyance or transfer on sale of an Ordinary Share will be liable to *ad valorem* stamp duty, generally at the rate of 0.5 per cent. of the amount or value of the consideration for the transfer rounded-up to the nearest £5. The purchaser normally pays the stamp duty.

An unconditional agreement to sell an Ordinary Share will generally give rise to a liability on the purchaser to SDRT, at the rate of 0.5 per cent. of the amount or value of the consideration for the sale. If a duly stamped transfer in respect of the agreement is produced within six years of the date on which the agreement is entered into or (if later) the date on which it becomes unconditional, any SDRT paid is repayable, generally with interest, and the SDRT charge is cancelled.

Issues or transfers of Ordinary Shares (1) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or (2) to, or to a nominee or agent for, a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986 will under current UK tax legislation be subject to stamp duty or SDRT at 1.5 per cent. of the amount or value of the consideration or, in certain circumstances, the value of the shares transferred (rounded up to the nearest £5 in the case of stamp duty).

However, the European Court of Justice decision in *HSBC Holdings plc and Vidacos Nominees Limited v. HMRC*, handed down on 1 October 2009, found that the 1.5 per cent. charge on issuing UK

shares into clearance services is contrary to EU law, at least in certain circumstances. On the same date HMRC announced that, with immediate effect, it would not seek to apply the 1.5 per cent. SDRT charge on the issue of shares into a depositary receipt system or clearance service within the European Union.

Under the CREST system for paperless share transfers, no stamp duty or SDRT will arise on a transfer of Ordinary Shares into the CREST system unless such transfer is made for a consideration in money or money's worth, in which case a liability to SDRT (usually at a rate of 0.5 per cent.) will arise. Paperless transfers of Ordinary Shares within CREST will be liable to SDRT rather than stamp duty.

**IF YOU ARE NOT RESIDENT IN THE UK OR ARE SUBJECT TO TAX IN ANY OTHER JURISDICTION OR IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION, YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER WITHOUT DELAY.**

**IN PARTICULAR, EXCEPT IN RELATION TO UK STAMP DUTY AND SDRT, THIS SUMMARY DOES NOT DETAIL THE TAX CONSEQUENCES OF A CONVERSION OR SALE OF A BOND OR A DISPOSAL OF ORDINARY SHARES. IN ADDITION, EXCEPT AS SET OUT IN SECTION 1.1 ABOVE, IT DOES NOT DISCUSS THE TAX CONSEQUENCES RELEVANT TO RETURNS ON THE BONDS, PREFERENCE SHARES OR ORDINARY SHARES.**

## **2 EU Savings Directive**

Under EC Council Directive 2003/48/EC (the "Savings Directive") on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within their jurisdiction to, or collected by such a person for, an individual resident in that Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld). The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

A number of non-EU countries, and certain dependent or associated territories of certain Member States, have adopted similar measures (either provision-of-information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entities established in a Member State.

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## **3 Jersey Taxation**

### **3.1 General**

The Issuer is not regarded as resident for tax purposes in Jersey. Therefore, the Issuer will not be liable to Jersey income tax other than on Jersey source income (however, based on the activities of the Issuer as set out in this Offering Circular, the Issuer should not have any Jersey source income) and payments in respect of the Bonds may be paid by the Issuer without withholding or deduction for or on account of Jersey income tax (however, please see the section below entitled "*Retention Tax in Jersey*" in relation to payments made by a paying agent established in Jersey). Bondholders (other than residents

of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Bonds.

In Jersey, no stamp duty will be levied on the issue or transfer of the Bonds except that stamp duty is payable on Jersey grants of probate and letters of administration, which will generally be required to transfer the Bonds on the death of a holder of such Bonds. In the case of a grant of probate or letters of administration, stamp duty is levied according to the size of the estate (wherever situate in respect of a holder of Bonds domiciled in Jersey, or situate in Jersey in respect of a holder of Bonds domiciled outside Jersey) and is payable on a sliding scale at a rate of up to 0.75 per cent. of such estate.

Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

### **3.2 Retention Tax in Jersey**

As part of an agreement reached in connection with the Savings Directive, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in a Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in a Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the Member State in which the beneficial owner is resident. The retention tax system in Jersey is implemented by means of bilateral agreements with each of the Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Bonds issued by the Policy & Resources Committee of the States of Jersey (being the predecessor to the Chief Minister's Department of the States of Jersey). Based on these provisions and what is understood to be the current practice of the Jersey tax authorities, the Issuer would not be obliged to levy retention tax in Jersey under these provisions in respect of interest payments made by it to a paying agent established outside Jersey.

## SUBSCRIPTION AND SALE

*Words and expressions defined in the “Terms and Conditions of the Bonds” have the same meaning when used in this section “Subscription and Sale” unless the context otherwise requires.*

J.P. Morgan Securities Ltd. and RBS Hoare Govett Limited (the “Joint Global Coordinators and Bookrunners”), UBS Limited and HSBC Bank plc (the “Joint Bookrunners”, and together with the Joint Global Coordinators and Bookrunners, the “Managers”) have entered into a subscription agreement dated 17 May 2011 with the Issuer and the Guarantor (the “Subscription Agreement”). Upon the terms and subject to the conditions contained therein, the Managers have severally agreed to subscribe for the aggregate principal amount of the Bonds set out below at the issue price of 100 per cent. of their principal amount (the “Issue Price”):

J.P. Morgan Securities Ltd. ....	£55,100,000
RBS Hoare Govett Limited.....	£55,100,000
UBS Limited.....	£45,500,000
HSBC Bank plc.....	£19,300,000

The Subscription Agreement may be terminated in certain circumstances prior to the issue of the Bonds.

The Issuer (failing whom, the Guarantor) has agreed to pay to the Managers a combined underwriting and selling commission of £4,016,250 in connection with the issue of the Bonds.

The Issuer and the Guarantor have also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Bonds. The Managers are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Bonds.

The Issuer and the Guarantor have undertaken that during the period commencing on 17 May 2011 and ending 90 days thereafter (both dates inclusive), they will not, and the Guarantor has undertaken to procure that none of its subsidiaries will, without the prior written consent of the Joint Global Coordinators and Bookrunners (on behalf of the Managers) (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 Relevant Securities or any securities convertible into or exercisable or exchangeable for Ordinary Shares or Relevant Securities 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 or Relevant Securities, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of Ordinary Shares or Relevant Securities or such other securities, in cash or otherwise. The foregoing sentence shall not apply to (a) the issue of the Bonds; or (b) any Ordinary Shares issued pursuant to the conversion of the Bonds and exchange of the Preference Shares; or (c) the issue of Ordinary Shares pursuant to any options, warrants or other rights existing at the date of the Subscription Agreement and described herein; or (d) the issue, transfer or other disposition of equity capital pursuant to any employee, director or executive share schemes existing at the date of the Subscription Agreement and described in this Offering Circular; or (e) the payment of the dividend of 20.25 pence per Ordinary Share, including the payment of such amount through the issue of new Ordinary Shares by the Guarantor as a scrip alternative, as disclosed by the Guarantor in its financial statements for the financial year ended 31 December 2010. For the purposes of the foregoing, “Relevant Securities” shall include any participation certificates and any depositary or other receipt, instrument, rights or entitlement representing Ordinary Shares.

The Managers and their respective affiliates have, in the past, performed investment banking and advisory services for the Guarantor and the Group for which they have received customary fees and expenses. The Managers and their respective affiliates may, from time to time, engage in further transactions with, and perform services for, the Issuer, the Guarantor and the Group in the ordinary course of their respective businesses.

### **Purchase of Bonds**

The Bonds are a new issue of securities with no established trading market. Accordingly, the Issuer and Guarantor cannot assure the liquidity of the trading market for the Bonds.

Purchasers who purchase Bonds may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the issue price set out in “*Overview of the Offering*”.

In connection with the offering of the Bonds, each of the Managers and/or its affiliates may act as an investor for its own account and may take up Bonds in the offering and in that capacity may retain, purchase or sell for its own account such securities and any securities of the Issuer or the Guarantor or related investments and may offer or sell such securities or other investments otherwise than in connection with the offering.

Accordingly, references herein to the Bonds being offered should be read as including any offering of Bonds to the Managers and/or 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.

### **United States**

The Bonds, the Guarantee, the guarantee by way of Deed Poll provided by the Guarantor in respect of the Preference Shares, the Preference Shares and the Ordinary Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered outside the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of Bonds, the Guarantee, the guarantee by way of Deed Poll provided by the Guarantor in respect of the Preference Shares, the Preference Shares or the Ordinary Shares within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

### **United Kingdom**

Each Manager has severally represented, warranted and agreed that:

- (a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it 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 or the Guarantor; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Bonds in, from or otherwise involving the United Kingdom.

### **Jersey**

Each of the Managers has represented to, and agreed with, the Issuer and Guarantor that:

- (a) it has not circulated the launch and pricing term sheets prior to (i) the consent of the Jersey registrar of companies to the circulation of the launch and pricing term sheets pursuant to the Companies (General Provisions) (Jersey) Order 2002 becoming effective or (ii) the consent of the Jersey Financial Services Commission to the circulation in Jersey of the launch and pricing term sheets pursuant to Article 8 of the Control of Borrowing (Jersey) Order 1958 being obtained; and
- (b) it has not circulated this Offering Circular and will not circulate this Offering Circular prior to (i) the consent of the Jersey registrar of companies to the circulation of this Offering Circular pursuant to the Companies (General Provisions) (Jersey) Order 2002 being obtained and becoming effective or (ii) the consent of the Jersey Financial Services Commission to the circulation in Jersey of this Offering Circular pursuant to Article 8 of the Control of Borrowing (Jersey) Order 1958 being obtained.

## **General**

No action has been or will be taken in any jurisdiction by the Managers or the Issuer or the Guarantor that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required, other than obtaining the consent of the registrar of companies in Jersey to the circulation of the launch and pricing term sheets and this Offering Circular pursuant to Article 5 of the Companies (General Provisions) (Jersey) Order 2002 and delivering copies of the launch and pricing term sheets and this Offering Circular to the registrar of companies in Jersey. Each Manager has agreed 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 this Offering Circular or any other such material, in all cases at its own expense.

## **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 1 June 2011, subject to the issue of the Bonds. It is expected that dealings in the Bonds will commence on 3 June 2011.

The Guarantor has undertaken to apply to have the Ordinary Shares issuable upon conversion of the Bonds admitted to the Official List of the UKLA and admitted to trading on the Regulated Market of the London Stock Exchange.

### **2 Authorisation**

The Issuer and the Guarantor have each 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 resolutions of the board of directors of the Issuer dated 16 May 2011 and 26 May 2011. The giving of the Guarantee of the Bonds has been authorised by a resolution of the board of directors of the Guarantor dated 13 May 2011 and resolutions of a committee of the board of directors of the Guarantor dated 16 May 2011 and 26 May 2011.

### **3 Expenses**

The Guarantor estimates that the amount of expenses related to the admission to trading of the Bonds will be approximately £7,175.

### **4 Clearing**

The Bonds have been accepted for clearance through the Clearstream, Luxembourg and Euroclear systems. The Common Code for the Bonds is 062810211. The ISIN for the Bonds is XS0628102112. The address of Euroclear is 1 Boulevard du Roi Albert I, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg.

### **5 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 or the Guarantor 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, the Guarantor's and/or the Group's financial position or profitability.

### **6 Financial and Trading Position**

There has been no material adverse change in the prospects of the Issuer or of the Guarantor and its subsidiaries taken as a whole since the date of the Issuer's incorporation or 31 December 2010, respectively, nor has there been any significant change in the financial or trading position of the Issuer since the date of the Issuer's incorporation or of the Guarantor and its subsidiaries taken as a whole, since 31 December 2010.



## **7 Principal objects**

The objects of the Guarantor are unrestricted.

## **8 Material contracts**

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:

- (1) the Trust Deed dated 2 June 2011 between the Issuer, the Guarantor and HSBC Corporate Trustee Company (UK) Limited 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, the Guarantor and the Issuer and the Trustee is to be paid;
- (2) the Paying, Transfer and Conversion Agency Agreement dated 2 June 2011 between the Issuer, the Guarantor, HSBC Bank plc, the Trustee and others setting out, *inter alia*, the terms of appointment and duties of HSBC Bank plc in its capacity as Principal Paying, Transfer 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 and the Guarantor are to be paid;
- (3) the Subscription Agreement; and
- (4) the Deed Poll.

## **9 Documents on display**

Copies of the following documents may be inspected during normal business hours at the offices of the Principal Paying, Transfer and Conversion Agent (currently at HSBC Bank plc, 8 Canada Square, London E14 5HQ) during the 12 months starting on the date on which this Offering Circular is made available to the public:

- (1) the Memorandum and Articles of Association of the Issuer;
- (2) the Articles of Association of the Guarantor;
- (3) the Financial Statements; and
- (4) the Paying, Transfer and Conversion Agency Agreement, the Trust Deed and the Deed Poll.

**REGISTERED OFFICE OF THE ISSUER**

**Derwent London Capital (Jersey) Limited**  
47 Esplanade  
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Jersey  
JE1 0BD

**REGISTERED OFFICE OF THE GUARANTOR**

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*To the Issuer and the Guarantor as to  
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**PRINCIPAL PAYING, TRANSFER AND CONVERSION AGENT**

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London E14 5HQ

**TRUSTEE**

**HSBC Corporate Trustee Company (UK) Limited**  
8 Canada Square  
London E14 5HQ

**REGISTRAR**

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