

LISTING PROSPECTUS DATED 13 NOVEMBER 2013



ENTERPRISE FUNDING LIMITED

(a limited liability public company incorporated in Jersey with registered number 113852)

**£97,000,000 3.50 per cent.
Guaranteed Convertible Bonds due 2020**

guaranteed by, and convertible into ordinary shares in,

ENTERPRISE INNS PLC

(incorporated with limited liability in England and Wales with registered number 2562808)

Issue Price: 100 per cent.

This Listing Prospectus is prepared in conjunction with the Securities issued by Enterprise Funding Limited (the “**Issuer**”) and guaranteed by Enterprise Inns plc (the “**Guarantor**”). This Listing Prospectus is not a prospectus published in accordance with the requirements of the EU Prospectus Directive. This Listing Prospectus constitutes a prospectus for the purpose of the Luxembourg Law dated 10 July 2005 on prospectuses for securities (as amended).

This Listing Prospectus, together with the documents incorporated by reference herein, comprises the Listing Prospectus approved by the Luxembourg Stock Exchange required for the listing on the Official List and admission to trading of the Securities on the Euro MTF market of the Luxembourg Stock Exchange. Full information on the Issuer and the Guarantor and the offer of the Securities is only available on the basis of the combination of the provisions set out within this Listing Prospectus and the information incorporated by reference in this Listing Prospectus. This Listing Prospectus may be used only for the purposes for which it has been published.

Application has been made for the £97,000,000 3.50 per cent. Guaranteed Convertible Bonds due 2020 (the “**Bonds**”) of the Issuer to be listed on the Official List and to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. The Guarantor intends to apply for any ordinary shares issued on conversion of the Bonds (the “**Ordinary Shares**”) to be admitted to the premium segment of the Official List and admitted to trading on the main market of the London Stock Exchange on or shortly following their date of issue.

This Listing Prospectus is to be read in conjunction with all the documents which are incorporated by reference in this Listing Prospectus – see “*Documents Incorporated by Reference*”.

Each of the Issuer and the Guarantor accepts responsibility for the information contained in this Listing Prospectus. The Issuer and the Guarantor confirm that, having taken all reasonable care to ensure that such is the case, the information contained in this Listing Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Listing Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer or the Guarantor that any recipient of this Listing Prospectus should purchase any of the Bonds or the Ordinary Shares. Each investor contemplating purchasing the 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.

This Listing Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Guarantor to subscribe for or purchase any Bonds or Ordinary Shares. The distribution of this Listing Prospectus and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Listing Prospectus comes are required by the Issuer and the Guarantor to inform themselves about and to observe any such restrictions.

No person is authorised to give any information or to make any representation not contained in this Listing Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Issuer or the Guarantor. Neither the delivery of this Listing Prospectus, nor any sale made in connection herewith, shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date of this Listing Prospectus or the date upon which this Listing Prospectus has been most recently amended or supplemented, or that there has been no adverse change in the financial position of the Issuer or the Guarantor since the date of this Listing Prospectus or the date upon which this Listing Prospectus has been most recently amended or supplemented, or that the information contained in it or any other information supplied in connection with the Bonds is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Bonds and the Ordinary Shares have not been registered under the U.S. Securities Act of 1933 (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date of the offering, except in either case in accordance with Regulation S under the Securities Act. See “*Terms and Conditions of the Bonds - Conversion of Bonds*”.

The Bonds are in registered form represented by a global bond (the “**Global Bond**”) and were issued on 10 September 2013 (the “**Closing Date**”) in the principal amount of £97,000,000, without interest coupons, and were deposited on 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**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). The Global Bond is exchangeable in certain limited circumstances in whole, but not in part, for Bonds in definitive form (the “**Definitive Bonds**”). See “*Summary of Provisions Relating to the Bonds While in Global Form*”.

A copy of this document has been delivered to the Jersey Registrar of Companies (the “**Registrar**”) in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002 and the Registrar has given, and has not withdrawn, consent to its circulation. 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 Bonds. The Commission is protected by the Control of Borrowing (Jersey) Law 1947 against liability arising from the discharge of its functions under that law. It must be distinctly understood that in giving these consents, neither the Registrar nor the Commission takes any responsibility for the financial soundness of the Issuer or the Guarantor or for the correctness of any statements made, or opinions expressed, with regard to either of them. It should be remembered that the price of the Bonds and the Ordinary Shares and the income from them can go down as well as up. If you are in any doubt about the contents of this Listing Prospectus you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

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 Listing Prospectus 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) understand thoroughly the terms of the Bonds and be familiar with the behaviour of financial markets in which they participate; and
- (iv) 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.

Any individual intending to invest in any investment described in this Listing Prospectus should consult his/her professional advisers and ensure that he fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

Prospective investors should read this entire Listing Prospectus and, in particular, the section headed “*Risk Factors*”, when considering an investment in the Bonds.

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RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Listing Prospectus prior to making any investment decision with respect to the Bonds. 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. Investors should ensure that they understand the nature of the risks posed by, and the extent of their exposure under, the Bonds or the Ordinary Shares. Investors should make all pertinent inquiries they deem necessary without relying on the Issuer or the Guarantor. Investors should consider the suitability of the Bond or the Ordinary Shares as an investment in light of their own circumstances, investment objectives, tax positions and financial condition.

Prospective investors should note that the risks described below are not the only risks the Issuer, the Guarantor, its subsidiaries and affiliates taken as a whole (the “Group”) 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 this entire Listing Prospectus, together with the documents incorporated by reference in this Listing Prospectus. Words and expressions defined in the “Terms and Conditions of the Bonds” below or elsewhere in this Listing Prospectus have the same meanings in this section.

Investing in the Bonds or the Ordinary Shares involves certain risks. Prospective investors should consider, among other things, the following risks.

RISKS RELATING TO THE BUSINESS OF THE GUARANTOR AND THE GROUP

Industry, market and operational risks

Unfavourable general economic conditions in the United Kingdom have had, and may continue to have, a negative effect on the Group’s business. All of the Guarantor’s pubs are located in the United Kingdom and, therefore, the results of the Guarantor’s operations are substantially influenced by general economic conditions in the United Kingdom. In particular, the Guarantor’s revenues are affected by the level of consumer confidence and expenditure on leisure activities.

The state of the United Kingdom economy has had, and continues to have, an adverse effect on consumer confidence and expenditure and the Guarantor is unable to predict when economic conditions will improve. In addition, economic factors such as the United Kingdom government’s austerity measures, possible rises in interest rates, declining wages, higher unemployment, tax increases, lack of consumer credit and falling house prices could all adversely affect the level of consumer confidence and expenditure.

Any further reduction in levels of consumer confidence or expenditure could further adversely affect the Guarantor’s operating results, financial condition and prospects.

Consumer perceptions towards the consumption of food and alcohol may continue to change.

In the United Kingdom, consumption of alcoholic beverages has become the subject of considerable social and political attention in recent years due to increasing public concern over adverse health consequences associated with the misuse of alcohol (including alcoholism) and alcohol-related social problems (including drink-driving, binge drinking and under-age drinking). Changes in consumer tastes in both food and drink, and demographic trends over time have adversely affected, and may continue to adversely affect, the appeal of the Guarantor’s pubs to consumers, especially if the Guarantor does not anticipate, identify and respond to such changes by evolving its brands, formats, offerings and premises. This, in turn, would have an adverse effect on the

Guarantor's operating results, financial condition and prospects. In addition, any increased focus on the potentially harmful effects of alcohol, such as a public service advertising campaign by the United Kingdom government, might reduce sales of alcoholic beverages and, therefore, negatively affect the Guarantor's operating results, financial condition and prospects.

The Guarantor's pubs face a high level of competition for consumers

The Guarantor's pubs compete for consumers with a wide variety of pubs and restaurants (in particular casual dining outlets) as well as off-licences, supermarkets and takeaways, some of which may offer higher amenity levels, lower prices or may be backed by greater financial and operational resources. Any provider of leisure facilities or services which could draw consumers away from the Guarantor's pubs is potentially a competitor of the Guarantor. This includes providers of certain products and services for the family home, which has become an increasingly attractive option for consumers, with improvements in home entertainment, the availability of cable and satellite television and the expansion of internet usage. The on-trade beer market in the United Kingdom has recently been impacted by the pricing policies of the large supermarket groups, with the off-trade accounting for a greater proportion of United Kingdom beer sales than in the past, and by the introduction of the smoking ban. The Guarantor also faces increasing competition from other pub operators. The Guarantor's pubs may not be successful in competing against any or all of these alternatives and a sustained loss of customers to other pubs or leisure activities or increased consumption of alcohol at home could have an adverse effect on the Guarantor's operating results, financial condition and prospects.

Further consolidation in the pub industry in the United Kingdom may result in the Guarantor being unable to compete with larger competitors

The pub industry in the United Kingdom has undergone periods of consolidation through joint ventures, mergers and acquisitions. Further consolidation in the pub industry in the United Kingdom could lead to the emergence of larger competitors, who may have greater financial and operational resources than the Guarantor, capitalising on economies of scale that the Guarantor cannot replicate. The Guarantor may not be able to respond to the pricing pressures that may result from further consolidation of the pub industry in the United Kingdom and may not be able to compete successfully for the acquisition of pubs and pub-owning companies with larger competitors. If the Guarantor does not continue to be a major participant in the pub industry in the United Kingdom, it may not be able to secure favourable pricing from suppliers or attract, and/or retain, suitable publicans to operate the Guarantor's pubs, which could have an adverse effect on the operating results, financial condition and prospects of the Guarantor.

The Guarantor's revenue is affected by the weather and the timing of major sporting events

Attendance levels at the Guarantor's pubs are affected by the weather and the timing of major sporting events. Persistent rain, snow or other inclement weather, especially during the summer months or over the Christmas period, which are peak trading times, can have a negative effect on revenue generated by the Guarantor's pubs and this, in turn, can have an adverse effect on the Guarantor's operating results, financial condition and prospects. Major sporting events, especially those in which British teams are successful, can also affect revenue. The absence of major events, or the poor performance of a British team, could have an adverse effect on the Guarantor operating results, financial condition and prospects.

Incidents involving the abuse of alcohol, use of illegal drugs and violence are a significant risk to the operations of the Guarantor

Incidents involving the abuse of alcohol, use of illegal drugs and violence the Guarantor's premises may continue to occur or may increase in frequency. Such activity may directly interrupt the operations of the Guarantor and could result in litigation or regulatory action, either of which could adversely affect the Guarantor's operating results, financial condition and prospects.

Food or beverage contamination or other health and safety incidents could adversely affect the Guarantor's operations

The Guarantor is susceptible to major local, national or international food or beverage contamination or other health scares (for example, salmonella and E. coli, "swine flu" or "H1N1" and other airborne diseases) affecting the type of food and beverages sold in, and attendance levels at the Guarantor's pubs. Such contamination or scares could affect consumer confidence and preferences, resulting in reduced attendance or expenditure at the Guarantor's pubs, or could lead to increased costs for the Guarantor (including in relation to sourcing alternative suppliers or products). In addition, a serious contamination or scare at one of the Guarantor's pubs could negatively affect the reputation of the Group.

As a result of the nature of its business, the Guarantor is also exposed to the risk of other health and safety incidents, for example, accidents occurring on its premises. Accordingly, the Guarantor is required to adopt and maintain rigorous health and safety policies. However, given the access members of the public have to premises belonging to the Guarantor, the Guarantor's health and safety policies may not be able to prevent a serious health and safety incident from occurring. It should be noted that it is generally the responsibility of the individual publican to protect the public from the risk of health and safety incidents whilst in their pubs. The occurrence of a serious health and safety incident at one of the Guarantor's pubs could negatively affect the reputation of the Group. A serious food or beverage contamination or other health and safety incident could therefore negatively impact the Guarantor's operating results, financial condition and prospects.

The pub industry in the United Kingdom is highly regulated and pub operations require licences, permits and approvals

The Guarantor's pubs are subject to laws and regulations that affect their operations, including in relation to employment, minimum wages, pub licensing, alcoholic drinks control, leisure (gaming) machines, competition, health and safety, sanitation, data protection and access for the disabled. These laws and regulations impose a significant administrative burden on the Guarantor's publicans, as pub managers have to devote significant time to compliance with these requirements and therefore have less time to dedicate to trade. If additional or more stringent requirements were to be imposed in the future, it would increase this burden, which could adversely affect the operating results of the Guarantor.

On 22 April 2013, the Department for Business Innovation and Skills (BIS) issued a consultation paper proposing the introduction of a statutory code of practice (the "Code") and an independent adjudicator to enforce the Code to regulate large tied pub companies. Depending on the outcome of the consultation process, the requirements of the Code, if implemented, could have an impact upon the Guarantor's profitability, operational strategy and relationship with its publicans.

The Guarantor may experience delays and failures in obtaining and retaining required licences, permits and approvals

Each of the Guarantor's pubs is licensed to permit, among other things, the sale of alcoholic drinks. Difficulties or failures in obtaining or maintaining required licences or approvals could delay or prohibit the operation of the Guarantor's pubs. If any of the Guarantor's pub licences were withdrawn or amended, the profitability of the affected pubs could be adversely affected and this, in turn, may have an adverse effect on the Guarantor's operating results, financial condition and prospects.

Licensing requirements affecting the Guarantor's pubs are subject to change, and additional or more stringent requirements may be imposed on the Guarantor's operations in the future. For example, similar to the Police Reform and Social Responsibility Act 2011, the Guarantor may be impacted by the potential imposition of a levy for the sale of alcohol late at night and further changes to the licensed hours for the sale of alcohol through future legislation. This may reduce the ability of the Guarantor's pubs to sell alcoholic drinks, which could have an adverse effect on the Guarantor's operating results, financial condition and prospects.

United Kingdom government legislation and campaigns relating to the consumption of alcohol and changes in drink-driving laws may reduce demand for alcoholic drinks

The United Kingdom government periodically contemplates imposing measures relating to the consumption of alcohol, including the reduction of licensing hours, raising the legal drinking age to 21, the introduction of minimum prices for alcoholic drinks and the introduction of mandatory codes imposing certain conditions on all alcohol retailers. Any such measures could reduce the Guarantor's flexibility to implement profitable business strategies and have a material effect on the Guarantor's operating results, financial condition and prospects.

As car drivers and passengers account for a significant proportion of pub customers in the United Kingdom, the implementation of any legislation to reduce further the legal blood alcohol limit for drivers in the United Kingdom could result in customers in the Guarantor's rural and suburban pubs drinking less or frequenting pubs less often, which could lead to a reduction in revenue in those pubs and a decline in the income of the Guarantor's pubs from the sale of alcoholic drinks. This, in turn, could have a negative impact on the Guarantor's operating results, financial condition and prospects. In addition, public service advertising campaigns by the United Kingdom government or other authorities warning against the dangers of drink-driving can adversely affect the level of the Guarantor's business. While the United Kingdom government has so far ruled out lowering the current legal blood alcohol limit for drivers following a report by Sir Peter North, many charities and campaign groups have urged the United Kingdom government to reconsider its decision.

The Group may be subject to increases in operating and other expenses

The Group's operating and other expenses could increase without a corresponding increase in turnover. Factors that could materially increase operating and other expenses include:

- (a) increases in the rate of inflation and currency fluctuation;
- (b) increases in insurance premiums;
- (c) unforeseen capital expenditure arising as a result of defects affecting the properties which need to be rectified; and
- (d) unforeseen increases in any other costs of maintaining pub properties.

Such increases could have a material adverse effect on the Group's business, financial position and results of operations.

Information technology

The Group's daily operations are reliant on its information technology systems for accounting, reporting and communication. There is a risk that serious disruption could result if these systems fail for an extended period of time.

Supply chain management

The Group places reliance on key suppliers and distributors to ensure that there is a continuous supply of drink and other products to its publicans. The Group is exposed to interruption or failure of these key suppliers which could result in such products not being delivered to publicans on time.

People

The Group is reliant on the ability to attract, train and retain the best quality publicans for its leased pubs, and failure to do this could impact on the Group's strategic objectives. Equally, the Group is reliant on its employees to provide key support functions in order to achieve its strategic aims.

RISKS RELATING TO THE ISSUER

The Issuer is a special purpose financing entity with no business operations other than (i) the issuance of the Bonds and the Preference Shares into which the Bonds are convertible and (ii) the lending of the proceeds of the issue of the Bonds to the Guarantor. The Issuer's only material assets are the Guarantor's obligation to repay the loan by which the proceeds of the issue of the Bonds are lent to the Guarantor. Therefore, the Issuer is subject to all risks to which the Guarantor, to whom the loan is made, is subject, to the extent that such risks could limit the Guarantor's ability to satisfy in full and on a timely basis its obligations under such loan. The Issuer's ability to fulfil its obligations under the Bonds may, therefore, be adversely affected.

RISKS RELATING TO THE GROUP'S BORROWING

The Group's other financing arrangements may restrict its ability to engage in business activities that may be in its interest

The Group's other financing arrangements, including each of the issues of debt securities of the Guarantor comprising the Excluded Indebtedness (as defined in the Terms and Conditions of the Bonds (the "**Conditions**")), the credit facilities of the Guarantor and the notes issued by Unique Pubs Finance plc in connection with the Unique securitisation (together, the "**Other Finance Arrangements**") impose, subject to certain exceptions, restrictions on the Group. These restrictions may affect, limit or prohibit the Group's ability to: create or permit to subsist any mortgages, charges, pledges, liens or other encumbrances in the nature of a security interest over its assets; incur additional indebtedness including by way of borrowing, leasing, selling or discounting receivables; grant guarantees; make any material changes in the nature of its business as presently conducted; sell, transfer, lease or otherwise dispose of all or a substantial part of its assets; enter into any amalgamation, demerger or merger; or acquire a company or any shares in a company. If the Group were to seek to vary or waive any of these restrictions and the relevant creditors did not agree to such variation or amendment, the restrictions may over the longer term limit the Group's ability to plan for or react to market conditions or meet capital needs or otherwise restrict the Group's activities or business plans and adversely affect the Group's ability to finance strategic acquisitions, investments and development projects.

The Group's credit facilities contain various covenants which, if not complied with, could require accelerated repayment, thereby materially adversely affecting the Group's business, financial condition and results of operations

The Group's credit facilities contain covenants requiring the Guarantor to maintain certain specified financial ratios. The Group expects to be able to maintain these financial ratios for at least the next 12 months. If market conditions deteriorate significantly in the longer term, there is a risk that existing financial covenants could be breached, particularly covenants based on interest cover ratios (for example, if income falls or non hedged interest rises significantly). Breach of such covenants, could, subject to any applicable waiver or agreement, result in the facilities being withdrawn or becoming repayable, potentially requiring the Group to dispose of assets at significantly less than full value. Any cross-default provisions in the Group's credit facilities could magnify the effect of an individual default if such a provision were exercised by the Group's lenders. In the event that there is any such breach, withdrawal, repayment or remedy, it could have an adverse impact on the Group's business, financial condition and/or results of operations in the long term. Consequently, the Issuer and/or the Guarantor's ability to fulfil its obligations under the Bonds may be adversely affected.

Some of the Other Finance Arrangements are subject to fluctuation in interest rates

The Group is exposed to movements in the market interest rates in respect of drawn amounts under its credit facilities. As the Group is not required to enter into hedging, any changes to Libor could have an adverse affect on the Group's ability to pay its own debts under the bank borrowings. However, the Other Finance Arrangements other than its credit facilities are borrowed at fixed rates of interest.

Use of borrowing could adversely impact on net asset value

Prospective investors should be aware that, whilst the use of borrowings should enhance the net asset value of the Ordinary Shares where the value of the Group's underlying assets is rising, it will have the opposite effect where the underlying asset value is falling.

Fluctuations in financial markets and the global economic downturn could affect the Group's ability to refinance any of its Other Finance Arrangements

Since the second half of 2007, disruption in the global credit markets has created increasingly difficult conditions across financial markets and reduced the availability of credit. Continuing global economic turmoil could inhibit the Group's long term ability to rollover or refinance its Other Finance Arrangements when they fall due. To the extent that such Other Finance Arrangements are material to the Group, the Issuer and/or the Guarantor's ability to fulfil its obligations under the Bonds may be adversely affected by any inability of the Group to rollover or refinance them.

If the Group defaults under its Other Finance Arrangements, its secured creditors may enforce their security over the Group's assets

The Other Finance Arrangements are secured. Each of the issues of debt securities of the Guarantor comprising the Excluded Indebtedness is secured by fixed security over various property and assets of the Guarantor, including various pub properties of the Guarantor, and by a floating charge over all the assets and undertaking of the Guarantor. The credit facilities of the Guarantor are secured by a mortgage over the Guarantor's shares in Unique Pubs Limited and by a floating charge over all the Guarantor's assets and undertakings. The Issuer, the Guarantor and other members of the Group may create further secured indebtedness, subject to certain specific restrictions (including pursuant to Condition 2 (*Negative Pledge*)).

Separately, notes issued by Unique Pub Finance plc in connection with the Unique securitisation indirectly have the benefit of security over, amongst other things, pub properties of Unique Pub Properties Limited.

In the event that a member of the Group defaults under the terms of any of its secured indebtedness, the relevant secured creditors may be able to enforce the security granted in their favour by, amongst other things, seizing and realising the property subject to the security granted in their favour.

The Group may be unable to access credit markets, or may be able to access them only on unfavourable terms

The ability of the Group to raise funds on favourable terms depends on a number of factors, including the Group's ability to negotiate new or increased or longer term credit facilities and lenders' estimates of the stability of the Group's cash flows, as well as general economic, political and capital market conditions and credit availability.

Although the Group has historically been able to obtain financing on satisfactory terms, there is no guarantee that future financing will be available on terms that the Group considers acceptable. It is possible in the current lending environment that the terms of any new facilities entered into by the Group in the future could be more onerous than the terms of the Group's existing financing facilities.

Any of the foregoing factors may have an adverse impact on the Group's business, financial condition and/or results of operations; consequently, the Issuer and/or the Guarantor's ability to fulfil its obligations under the Bonds may be adversely affected.

RISKS RELATING TO TAXATION

The amount of taxation charged on the Group's activities is subject to changes in tax laws and their practical application in the jurisdictions in which the Group operates

EU Savings Directive

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of other Member States details of payments of interest.

Tax consequences

Potential investors should consider the tax consequences of investing in the Bonds and consult their own tax advisers in light of their personal situations.

RISKS RELATING TO THE BONDS AND THE ORDINARY SHARES

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

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the 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 (i) the Investor's Currency-equivalent yield on the Bonds, (ii) the Investor's Currency-equivalent value of the principal payable on the Bonds and (iii) the Investor's Currency-equivalent market value of the Bonds.

Government 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, investors may receive less interest or principal than expected, or no interest or principal.

Global Bond held by or on behalf of Euroclear and Clearstream, Luxembourg

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

The Issuer will discharge its payment obligations under the Bonds by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their accountholders. A holder of a beneficial interest in the Global Bond must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Bond.

Meetings of Bondholders, Modification and Waiver and Substitution

The trust deed constituting the Bonds (the “**Trust Deed**”) contains 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 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; or (iii) agree to the substitution of another Subsidiary of the Parent Guarantor or of the Issuer as principal debtor under any Bonds in place of the Issuer (or any previous substitute under the Conditions), in the circumstances described in the Conditions.

Bondholders have limited anti-dilution protection

The Exchange Price at which the Preference Shares deliverable upon conversion of the bonds may be converted into Ordinary Shares will be adjusted, *inter alia*, in the event that there is a consolidation, reclassification or subdivision in relation to the Ordinary Shares, capitalisation of profits or reserves, the payment of any dividend or the making of a distribution by the Guarantor, rights issue or grant of other subscription rights or other adjustment 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 — Adjustment of Exchange Price*”. 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.

Risks attached to the exercise of Conversion Rights

At any point when the Bonds are outstanding, depending on the performance of the Ordinary Shares, the value of the Ordinary Shares may be substantially lower than when the Bonds were initially purchased. In addition, because there will be a delay between when Conversion Rights (as defined Condition 6(a) of the Conditions) are exercised and when Ordinary Shares are delivered, the value of the Ordinary Shares to be delivered may vary substantially between the date on which Conversion Rights are exercised and the date on which such Ordinary Shares are delivered.

The Bonds may be redeemed prior to maturity

The Conditions provide that the Bonds are redeemable at the Issuer’s option prior to their Final Maturity Date 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 bearing an effective interest rate as high as that of the Bonds.

There is a limited period for, and there are costs associated with, the exercise of Conversion Rights

A Bondholder will, subject as more fully described in “*Terms and Conditions of the Bonds — Conversion of Bonds*”, have the right to convert his Bonds into Ordinary Shares. Conversion Rights may be exercised (subject

to the Conditions, any applicable fiscal or other laws or regulations) in the circumstances set out in the Conditions. If the Conversion Rights are not exercised by Bondholders during the relevant period, the Bonds will be redeemed at their principal amount on the Final Maturity Date unless they are previously purchased and cancelled, redeemed or converted in accordance with the Conditions.

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

The Conditions are based on English law and administrative practice in effect as at the date of this Listing Prospectus. 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 Listing Prospectus. Any change in the Guarantor's and/or the Issuer's tax status (or that of other members of the Group) or taxation legislation or practice could affect the Guarantor's and/or the Issuer's ability to provide returns to the Bondholders or alter post tax returns to the Bondholders. Commentaries in this Listing Prospectus concerning the taxation of investors in the Bonds are based on current United Kingdom tax law and HM Revenue & Customs practice which is subject to change, possibly with retrospective effect. The taxation of an investment in the Guarantor depends on the individual circumstances of investors.

Restricted remedy for non-payment when due

The sole remedy against each of the Issuer and the Guarantor available to the Trustee or (where the Trustee, having become bound to proceed against the Issuer or the Guarantor, has failed to proceed against the Issuer or the Guarantor as provided in the Conditions) any Bondholder for recovery of amounts which have become due in respect of the Bonds or the Guarantee will be the making of an application for a declaration that the property of the Issuer is *en désastre* and/or claiming in any *en désastre* proceedings against the Issuer and/or the institution of proceedings for the winding-up of the Guarantor and/or proving in any winding-up or in any administration of the Issuer or the Guarantor and/or claiming in the liquidation of the Guarantor.

No established trading market for the Bonds

The Bonds are new securities which may not be widely distributed and for which there is currently no established 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 Guarantor's results of operations and the market price of the Ordinary Shares. Although application has been made for the Bonds to be listed on the Official List and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange, there is no assurance that such application will be accepted or that an active trading market for the Bonds will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Bonds.

Risk of fluctuation in the price of the Ordinary Shares

In recent years, the securities markets have experienced a high level of price and volume volatility and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values of prospects of such companies. 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 Group, the results of operations, communication of the Group's performance and strategy 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 of, or disposals of the Ordinary Shares by substantial shareholders may significantly affect the trading price of the Bonds or the Ordinary Shares. Even the expectation that such issues or disposals 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 certain related securities whilst any conversion right remains exercisable. 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 at any other time, 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.

PRESENTATION OF INFORMATION AND GENERAL DISCLOSURES

PRESENTATION OF FINANCIAL INFORMATION

The Guarantor publishes its financial statements in pounds sterling (“£” or “**Sterling**”). The references to “**pence**” and “**p**” represent pence in the United Kingdom.

Unless otherwise indicated, the financial information in this Listing Prospectus has been prepared in accordance with IFRS, as adopted by the EU. Certain figures contained in this Listing Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this Listing Prospectus may not conform exactly to the total figure given for that column or row.

NO INCORPORATION OF WEBSITE INFORMATION

The contents of the Guarantor’s website do not form part of this Listing Prospectus, other than the documents incorporated by reference, as specified in this Listing Prospectus. A copy of this Listing Prospectus will also be available through the Guarantor’s website.

FORWARD-LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “projects”, “assumes”, “expects”, “intends”, “may”, “will”, “would” or “should”, or in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts and speak only as at the date of this Listing Prospectus. They appear in a number of places throughout this document and include statements regarding the intentions of the directors, the Guarantor, the Issuer and the Group. beliefs or current expectations concerning, among other things, the Group’s result of operations, financial results, prospects, growth strategies and the industries in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation: conditions in the markets, market position of the Group, earnings, financial position, cash flows, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this Listing Prospectus.

Forward-looking statements contained in this Listing Prospectus speak only as at the date of this Listing Prospectus. Any such statements based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. However, these forward-looking statements and other statements contained in the incorporated documents regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved. The information in this Listing Prospectus will be updated as required by Luxembourg Law.

MARKET, ECONOMIC AND INDUSTRY DATA

Unless the source is otherwise stated, the market, economic and industry data in this Listing Prospectus about the Issuer and the Guarantor constitutes the Issuer’s and the Guarantor’s estimates, respectively, using underlying data from various industry sources where appropriate. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. In many cases, the Group has made statements in this Listing Prospectus regarding its industry and its position in the industry based on internal surveys as well as its own experience.

Each of the Issuer and the Guarantor hereby confirms that where the information in this Listing Prospectus has been reproduced from third-party sources, it has been accurately reproduced and that, as far as the Issuer and the Guarantor are aware, and able to ascertain from information published by the sources mentioned in this Listing Prospectus, no facts have been omitted which would render the reproduced information inaccurate or misleading.

DOCUMENTS INCORPORATED BY REFERENCE

This Listing Prospectus should be read and construed in conjunction with the documents listed below. Such documents shall be incorporated in, and form part of, this Listing Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Listing Prospectus to the extent that a statement contained herein, or contained in another document incorporated by reference 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 Listing Prospectus. Those parts of the documents listed below which are not specifically incorporated by reference in this Listing Prospectus are either not relevant for prospective investors in the Bonds or the relevant information is included elsewhere in this Listing Prospectus. **Any information and/or documents themselves incorporated by reference or cross-referred to in the documents incorporated by reference in this Listing Prospectus shall not form part of this Listing Prospectus.**

These documents are available for inspection in accordance with the General Information section of this Listing Prospectus. Copies of documents incorporated by reference in this Listing Prospectus can be obtained from the registered office of the Guarantor and on the Guarantor's website at www.enterpriseinns.com. Other than that specified in this Listing Prospectus, no information available on the Guarantor's website is incorporated by reference in this Listing Prospectus.

Investors in the Bonds shall be deemed to have notice of all information contained in, or incorporated by reference in, such documents as if all such information were included in this Listing Prospectus. Investors who have not previously reviewed such information should do so in connection with their purchase of the Bonds. This Listing Prospectus should be read and construed in conjunction with the following information:

Consolidated financial statements of the Guarantor

Interim Statement for six months ending 31 March 2013 (the "Interim Statement")

Consolidated income statement	page 7
Consolidated statement of comprehensive income	page 8
Balance sheets	page 9
Statement of changes in equity	page 10
Cash flow statements	page 11
Notes to the Accounts	pages 12–16

Accounts for the period as at and ended 30 September 2012 contained in the annual report of the Guarantor for the year ended 30 September 2012 (the "2012 Annual Report")

Consolidated income statement	page 53
Consolidated statement of comprehensive income	page 54
Balance sheets	page 55
Statement of changes in equity	pages 56–57
Cash flow statements	pages 58

Notes to the Accounts	pages 59–102
Independent auditor’s report	pages 103–104
Accounts for the period as at and ended 30 September 2011 contained in the annual report of the Guarantor for the year ended 30 September 2011 (the “2011 Annual Report”)	
Group Consolidated income statement	page 51
Group Consolidated statement of comprehensive income	page 52
Balance sheets	page 53
Statement of changes in equity	page 54
Cash flow statements	page 55
Notes to the financial statements	pages 60–100
Independent auditor’s report	pages 101–102

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 £97,000,000 3.50 per cent. Guaranteed Convertible Bonds due 2020 (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 Enterprise Funding Limited (the “**Issuer**”) passed on 2 September 2013. The giving of the guarantee by Enterprise Inns plc (the “**Guarantor**”) in respect of the Bonds was authorised by resolutions of the board of directors of the Guarantor passed on 15 August 2013 and of a committee of the board of directors of the Guarantor passed on 3 September 2013. The Bonds are constituted by a trust deed dated 10 September 2013 (the “**Trust Deed**”) between the Issuer, the Guarantor and Deutsche Trustee Company 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. Certain 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 10 September 2013 (the “**Agency Agreement**”) relating to the Bonds between the Issuer, the Guarantor, the Trustee and Deutsche Bank AG, London Branch (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 other 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 Deutsche Bank Luxembourg S.A. 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 10 September 2013 by the Guarantor. The Issuer and the Guarantor have also entered into a calculation agency agreement dated 10 September 2013 (the “**Calculation Agency Agreement**”) with Conv-Ex Advisors Limited (the “**Calculation Agent**” which expression shall include any successor as calculation agent under the Calculation Agency Agreement) whereby the Calculation Agent has been appointed to make certain calculations in relation to the Bonds.

Copies of each of the Trust Deed, the Agency Agreement, the Calculation 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 Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom), and at the specified offices of each 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, unsubordinated and (subject to Condition 2) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer from time to time outstanding.

(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 and under the Trust Deed (the “**Guarantee**”). The obligations of the Guarantor under the Trust Deed constitute direct, unconditional, unsubordinated and (subject to Condition 2) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.

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 Security Interest upon the whole or any part of its undertaking, assets or revenues present or future to secure any Capital Markets Indebtedness or any guarantee of, or indemnity in respect of, any Capital Markets Indebtedness; and
- (ii) the Guarantor will procure that none of its Subsidiaries will create or permit to subsist any Security Interest upon the whole or any part of the undertaking, assets or revenues present or future of that Subsidiary to secure any Capital Markets Indebtedness or any guarantee of, or indemnity in respect of, any Capital Markets Indebtedness,

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, in each case to the satisfaction of the Trustee, 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 SAVE THAT there may be created or permitted to subsist, as the case may be, (without the obligation to provide to the Bonds any security or ensure the Bonds benefit from a guarantee or indemnity or other arrangement as aforesaid) (1) any Security Interest existing as at the Closing Date in respect of the Excluded Indebtedness, or any Security Interest created over assets in accordance with the terms of such Excluded Indebtedness provided, in any case, that the principal amount of such Excluded Indebtedness outstanding on the Closing Date is not subsequently increased, (2) any Security Interest in respect of any Capital Markets Indebtedness or any guarantee of, or indemnity

in respect of, any Capital Markets Indebtedness for the purposes of and to the extent refinancing the Excluded Indebtedness or any other secured indebtedness in respect of borrowed money of the Guarantor or any of its Subsidiaries outstanding on the Closing Date, provided that the principal amount of such indebtedness is not increased, (3) any Security Interest in respect of any Capital Markets Indebtedness or any guarantee of, or indemnity in respect of, any Capital Markets Indebtedness where such Security Interest is subsisting over any undertakings or assets acquired after, or is provided by or subsisting in respect of a company becoming a Subsidiary of the Guarantor after, the Closing Date and where such Security Interest exists at the time of such acquisition or at the time that company becomes a Subsidiary of the Guarantor (provided that such Security Interest was not created in contemplation of such acquisition or that company becoming a Subsidiary of the Guarantor and the principal amount of the relevant Capital Markets Indebtedness at the time of the company becoming a Subsidiary of the Guarantor is not subsequently increased) and (4) any Security Interest in respect of any Capital Markets Indebtedness or any guarantee of, or indemnity in respect of, any Capital Markets Indebtedness for the purpose of and to the extent refinancing any indebtedness in respect of borrowed money of any such company outstanding at the time of such company becoming a Subsidiary of the Guarantor (provided that the relevant Security Interest was not created in contemplation of that company becoming a Subsidiary of the Guarantor and that the principal amount of such indebtedness is not increased thereafter or in connection with such refinancing).

For the purposes of this Condition 2, reference to a Subsidiary of the Guarantor shall exclude Unique Pubs Limited and its Subsidiaries.

3 Definitions

In these Conditions, unless otherwise provided:

“**Additional Ordinary Shares**” has the meaning provided in Condition 6(c).

“**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.

“**Capital Markets Indebtedness**” means any present or future indebtedness (whether being principal, premium, interest or other amounts) other than Excluded Indebtedness, which is in the form of or represented by any notes, bonds, certificates, debentures, debenture stock, loan stock or other instrument or debt securities which are, or are capable of being, quoted, listed or ordinarily dealt in or traded on any stock exchange, recognised automated trading system, over-the-counter or other securities market.

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 votes that may ordinarily be cast on a poll at a general meeting of the Guarantor (other than in any such case as a result of an Exempt Newco Scheme) 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 of arrangement or analogous proceeding with regard to such acquisition (other than an Exempt Newco Scheme) and (such offer or scheme of arrangement or analogous proceeding 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 that may ordinarily be cast on a poll at a general meeting of the Guarantor has or will become

unconditionally vested in the offeror(s) or such person and/or any associate (as defined in section 988(1) of the Companies Act) of the offeror(s) or such person, as the case may be.

“**Change of Control Notice**” has the meaning provided in Condition 6(m).

“**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(m).

“**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 10 September 2013.

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

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

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

“**Conversion Commencement Date**” 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, as determined by the Calculation Agent; 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 or transferred 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 by the Calculation Agent 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 in good faith by an Independent 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, as the case may be, 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 Dividend in cash 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 transferred and delivered is determined), save that where a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares where the number of Ordinary Shares to be issued or delivered is to be determined during a period following such announcement and is to be determined by reference to the closing price or volume weighted average price without any discount, then such Dividend shall be treated as a Dividend in cash in an amount equal to the Fair Market Value of such cash amount; 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 Dividend in cash 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 Dividend in cash 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 Condition 6(b)(i) or 6(b)(ii) 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 in an amount equal to the amount by which 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 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, unless otherwise defined herein, 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 Condition 6(a).

“**Excluded Indebtedness**” means (a) the £60,000,000 6 per cent. First Mortgage Debenture Stock due

2014, (b) the £125,000,000 6.875 per cent. Secured Bonds due 2025, (c) the £125,000,000 6.875 per cent. Secured Bonds due 2021, (d) the £275,000,000 6.375 per cent. Secured Bonds due 2031 and (e) the £600,000,000 6.50 per cent. Secured Bonds due 2018, in each case of the Guarantor.

“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” means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Adviser provided that (i) the Fair Market Value of a Dividend in cash shall be the amount of such Dividend in cash; (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 in good faith by an Independent 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 or other 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 or other market of adequate liquidity (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent 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 such Dividend in cash is 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 Dividend in cash 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 for or on account of tax, and disregarding any associated tax credit.

“Final Maturity Date” means 10 September 2020.

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

“Independent Adviser” means an independent adviser, which may be the Calculation Agent, appointed by the Issuer or the Guarantor at its own expense 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 in its sole discretion) and the Trustee is indemnified and/or secured and/or pre-funded 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

notification thereof to 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.

“**Market Price**” means the Volume Weighted Average Price of an Ordinary Share on the relevant Reference Date, provided that if any Dividend or other entitlement in respect of the Ordinary Shares is announced, whether on or prior to or after the relevant Conversion Date in circumstances where the record date or other due date for the establishment of entitlement in respect of such Dividend or other entitlement shall be on or after the Conversion Date and if, on the relevant Reference Date, the Volume Weighted Average Price of an Ordinary Share is based on a price ex-Dividend or ex- any other entitlement, then such price shall be increased by an amount equal to the Fair Market Value of such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement (or if that is not a dealing day, the immediately preceding dealing day), 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 that, for the avoidance of doubt, there shall be no double-counting in respect of any Dividend or entitlement, all as determined by the Calculation Agent.

“**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 (other than a nominal holding by initial subscribers), are Existing Shareholders in or substantially in the same proportions as such Shareholders held Ordinary Shares immediately prior to the Scheme of Arrangement; (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 with, on the Closing Date, a par value of £0.025 each.

“**Paid-up Value**” has the meaning provided in the definition of “Preference Shares”.

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 redeemable preference shares of the Issuer, having the rights set out in the Articles of the Issuer, with a par value of £0.01 each and which will be issued on conversion 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 or if such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Adviser shall consider appropriate.

“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 earlier of (a) the date on which payment in full of the amount outstanding is made and (b) the day seven days after the Trustee 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).

“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 Condition 6(c).

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

“Securities” means any securities including, without limitation, Ordinary Shares and any other shares in the capital of the Guarantor and options, warrants or other rights to subscribe for or purchase or acquire Ordinary Shares or any other shares in the capital of the Guarantor.

“Security Interest” means any mortgage, charge, pledge, lien or other security interest. **“Shareholders”** means the holders of Ordinary Shares.

“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 Scheme of Arrangement, Existing Shareholders, as a class (but excluding the issue and allotment of ordinary shares (or depository or other receipts or certificates representing such ordinary shares) by Newco to Existing

Shareholders as a class), 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**” means a subsidiary as defined 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 Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000.

“**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 ETI LN Equity 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 in good faith to be appropriate by the Calculation Agent on such dealing day in each case as determined by the Calculation Agent and translated, if not in the Relevant Currency, into the Relevant Currency by the Calculation Agent 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, or as the Calculation Agent might otherwise determine in good faith to be appropriate.

“**£**” and “**sterling**” mean pounds sterling, being 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 S48 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 the Calculation Agent 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 the Calculation Agent or an Independent 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, the Guarantor, the Trustee and the Bondholders.

For the purpose of Condition 6 (a), (b), (c), (g) and (h) and Condition 11, (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 and 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 Condition 6(b)(iv) and (b)(vi), 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.

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.

4 Registration and Transfer of Bonds

(a) Registration

The Issuer will cause a register (the “**Register**”) to be kept at (and only 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 the Trustee (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(g); (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 3.50 per cent. per annum calculated by reference to the principal amount thereof and payable quarterly in arrear in equal instalments on 10 March, 10 June, 10 September and 10 December in each year (each an “**Interest Payment Date**”).

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(j)) 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 S(a) (both before and after judgment) until the Relevant Date.

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, with each such Preference Share being allotted at a price equal to the Paid-Up Value (a “**Conversion Right**”).

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 21 October 2013 (the “**Conversion Commencement Date**”) to the close of business (at the place where the relevant Bond is

delivered for conversion) on the date falling 10 calendar 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 10th calendar day before the date fixed for redemption thereof pursuant to Condition 7(b) or 7(c) (both days inclusive) unless there shall be a default in making payment in respect of such Bond on any 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.

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 in the circumstances described in Condition 6(j) in respect of any notice given by the Issuer in accordance with 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).

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).

If a Conversion Right is exercised prior to the Conversion Commencement Date, Bondholders exercising the Conversion Right prior to the Conversion Commencement Date shall 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:

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

Upon exercise of Conversion Rights by a Bondholder, the Issuer will issue the relevant number of Preference Shares to the relevant Bondholder on and as at the relevant Conversion Date.

All Preference Shares issued on conversion of the Bonds of a Bondholder shall (without any further action being required to be taken by, and without any cost or expense to, the relevant Bondholder or the Trustee) automatically be transferred on and as at the relevant Conversion Date from such Bondholder to the Guarantor and in consideration therefor the Guarantor shall issue or transfer and deliver to such Bondholder such number of Ordinary Shares as is determined by dividing the aggregate Paid-Up Value in respect of such Preference Shares by the Exchange Price in effect on the relevant Conversion Date (and, where necessary, rounding down to the nearest whole number of Ordinary Shares).

The initial exchange price (the “**Exchange Price**”) is £1.9103 per Ordinary Share. The Exchange Price is subject to adjustment in the circumstances described in or, as the case may be, may be determined in accordance with Condition 6(b).

The Guarantor will procure that Ordinary Shares to be issued or transferred and delivered on exercise of Conversion Rights will be issued or transferred and delivered to the relevant Bondholder or his nominee as specified in the relevant Conversion Notice (without any further action being required to be taken by, and without any cost or expense to, the relevant Bondholder or the Trustee). Such Ordinary Shares will be deemed to be issued or transferred and delivered on or as of the relevant Conversion Date. Any Additional Ordinary Shares to be issued and delivered 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) be entitled to 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 any such transfer of Preference Shares to the Guarantor.

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.

Upon the issue of the Preference Shares on conversion of any Bonds and the registration and transfer of such Preference Shares to the Guarantor as provided in these Conditions and, where applicable, the payment of any interest pursuant to Condition 6(j), the Issuer shall have no further liability in respect of such Bonds, including in respect of the delivery of Ordinary Shares.

Fractions of Ordinary Shares will not be issued or transferred and delivered and no cash payment or other adjustment will be made in lieu thereof. If a Conversion Right in respect of more than one Bond is 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 the Preference Shares issued on such conversion and which are to be exchanged for Ordinary 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 by the Calculation Agent (or, to the extent so specified in this Condition 6(b), an Independent Adviser), on behalf of the Issuer, as follows:

- (i) If and whenever there shall be a consolidation, reclassification or subdivision affecting the number of Ordinary Shares in issue, 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:

$\frac{A}{B}$

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 declare, announce, make or pay any 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:

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

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 Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (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 following such purchase, redemption or buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

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

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

- (B) 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.
- (iv) If and whenever the Guarantor shall issue Ordinary Shares to Shareholders as a class by way of rights, or the Guarantor or any of the Guarantor’s Subsidiaries or (at the direction or request or pursuant to any arrangements with the Guarantor or any of the Guarantor’s Subsidiaries) any other company, person or entity shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or the right to acquire 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 or other rights of acquisition in respect thereof at the initial conversion, exchange, subscription or purchase price or rate,

provided that if at the first date on which the Ordinary Shares are traded ex- rights, ex-options or ex-warrants on the Relevant Stock Exchange (as used in this paragraph (b)(iv), 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, then for the purposes of this paragraph (b)(iv), “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 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 or any Subsidiary of the Guarantor or (at the direction or request or pursuant to any arrangements with the Guarantor or any Subsidiary of the Guarantor) any other company, person or entity shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire any Ordinary Shares or Securities which by their terms carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or rights to otherwise acquire, 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 or otherwise acquire any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire Ordinary Shares or Securities which by their terms carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or rights to otherwise acquire, 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:

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

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, or right to otherwise acquire Ordinary Shares and 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)) or if and whenever the Guarantor or any of the Guarantor’s Subsidiaries or (at the direction or request or pursuance to any arrangements with the Guarantor or any of the Guarantor’s Subsidiaries) any other company, person or entity shall 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 or otherwise acquire 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:

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

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 on the Effective Date; 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,

provided that if at the time of issue of such Ordinary Shares or date of issue or grant of such options, warrants or rights (as used in this paragraph (b)(vi), 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, then for the purposes of this paragraph (b)(vi), “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)(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, purchase of, or rights to otherwise acquire Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be reclassified as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription, purchase, acquisition or reclassification 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:

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

A+C

where:

A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, purchase of, or rights to otherwise acquire Ordinary Shares which have been issued, purchased or acquired by the Guarantor or any of

the Guarantor's Subsidiaries (or at the direction or request or pursuant to any arrangements with the Guarantor or any of the Guarantor's Subsidiaries) for the purposes of or in connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);

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 such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such reclassification 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, purchase or acquisition price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such reclassification,

provided that if at the Effective 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, as the case may be, such Securities are reclassified 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 Effective Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, reclassification had taken place on the Effective 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:

where:

A is the number of Ordinary Shares in issue on the dealing day immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Guarantor or any Subsidiary of the Guarantor (or at the direction or request or pursuant to any arrangements with the Guarantor or any Subsidiary of the Guarantor) for the purposes of or in connection

with such Securities, less the number of such Ordinary Shares so issued, purchased or acquired);

- 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 Effective Date 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 the Calculation Agent shall consider appropriate for any previous adjustment under this sub-paragraph (b)(viii) or sub-paragraph (b)(vii) above,

provided that if at the Effective 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 Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective 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:

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
means 35 per cent. (expressed as fraction)

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

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 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 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 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 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 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 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;
 - (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 Guarantor or another entity; and
 - (f) references in these conditions to “cash” shall be construed as cash consideration within the meaning of section S83(3) of the Companies Act.
- (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 relevant Bondholder, 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 or transferred and delivered on exchange of the relevant Preference Shares (together with any fraction of an Ordinary Share not so issued or transferred and delivered), is equal to the number of Ordinary Shares which would have been required to be issued or transferred and 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 Adviser or the Calculation Agent*

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, the Calculation Agent and an Independent Adviser, a written opinion of such Independent Adviser in respect thereof shall be conclusive and binding on the Bondholders and all other parties, save in the case of manifest error.

Adjustments to the Exchange Price pursuant to this Condition 6 shall be determined and calculated by the Calculation Agent, and to the extent so specified in the Conditions only, an Independent Adviser. Adjustments to the Exchange Price calculated by the Calculation Agent or, where applicable, an Independent Adviser and any other determinations made by the Calculation Agent or, where applicable, an Independent Adviser pursuant to these Conditions shall be final and binding (in the absence of manifest error) on the Issuer, the Guarantor, the Trustee, the Bondholders and the other Agents. The Calculation Agent may consult, at the expense of the Issuer or the Guarantor, on any matter (including but not limited to, any legal matter), any legal or other professional adviser and it shall not be liable and shall incur no liability as against the Bondholders in respect of anything done, or omitted to be done, relating to that matter in good faith in accordance with that adviser’s opinion.

(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) *Procedure for exercise of Conversion Rights*

Conversion Rights shall be exercised by a Bondholder by delivering the relevant Bond(s) 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 the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for these Conditions to have been made on the next following such business day, provided that for the purposes of paragraph (ii) of Condition 6(a), Conversion Rights shall be deemed to be exercised on the day of actual delivery of the relevant Conversion Notice as aforesaid notwithstanding that such day is not a business day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent.

Any determination as to whether any Conversion Notice has been duly completed and properly delivered shall be made by the Issuer 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 one or more Bonds.

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 a Conversion Notice in respect of such Bond as provided in this Condition 6(g) (and for this purpose the proviso to the second paragraph of this Condition 6(g) shall be disregarded).

A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any capital, stamp, issue, registration and transfer taxes and duties arising on conversion (other than any capital, stamp, issue, registration, transfer or similar taxes and duties (excluding for the avoidance of doubt, capital gains tax or similar taxes on gains or profits levied on the relevant Bondholder) payable in Jersey or the United Kingdom, or in any other jurisdiction in which the Issuer and/or the Guarantor may be domiciled or resident or to whose taxing jurisdiction it may be generally subject, in respect of the allotment and issue of Preference Shares on exercise of Conversion Rights or on transfer of any Preference Shares to the Guarantor pursuant to these Conditions or in respect of the allotment, issue or transfer and delivery of any Ordinary Shares on exchange of the Preference Shares (including any Additional Ordinary Shares) (the “**Specified Taxes**”). Save for any United Kingdom stamp duty in respect of the transfer of any Preference Shares to the Guarantor pursuant to these Conditions (which shall be paid by the Guarantor if actually required to be paid), the Specified Taxes shall be paid by the Issuer or, failing whom, 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, registration and transfer taxes and duties are payable or the amount thereof and it shall not be responsible or liable to any person for any failure by the Issuer or the Guarantor to pay such taxes or capital, stamp, issue, registration and transfer taxes and duties.

Each Bondholder must also pay all taxes (if any) imposed on it and arising by reference to any disposal or deemed disposal of any Bonds, Preference Shares or Ordinary Shares (including any Additional Ordinary Shares) or any interest therein.

Ordinary Shares to be issued or transferred and delivered by the Guarantor to a Bondholder on exchange of Preference Shares issued on the exercise of Conversion Rights will not be available for issue or transfer and 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 issued or transferred and delivered by the Guarantor to a Bondholder on exchange of Preference Shares issued on the exercise of Conversion Rights (including any Additional Ordinary Shares) will be issued or transferred and 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 issued or transferred and 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 issued or transferred and 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.

(h) *Ordinary Shares*

- (i) Ordinary Shares (including any Additional Ordinary Shares) issued or transferred 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(j), 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).

(i) *Preference Shares*

- (i) Preference Shares allotted pursuant to these Conditions will be fully paid and will rank *pari passu* with all fully paid Preference Shares then in issue (if any) 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 which falls on any 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.

(j) *Interest on Conversion*

If any notice requiring the redemption of the Bonds is given pursuant to Condition 7(b) on or after the fifteenth dealing 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 21 dealing days after the Record Date in respect of the Interest Payment Date next following such record date, interest shall accrue at the rate provided in Condition S(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 Record Date in respect of 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.

(k) *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.

(l) *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.

(m) *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 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 48 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 up to (but excluding) the Optional Redemption Date 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*

Provided the Bonds have been (even if they no longer remain) listed on any recognised stock exchange (as such term is defined in section 1005 of the Income Tax Act 2007) the Issuer may, at any time, having given not less than 48 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 up to (but excluding) the Tax Redemption Date, if (i) the Issuer satisfies the Trustee immediately prior to the giving of the Tax Redemption Notice that the Issuer (or, if the guarantee were called, the Guarantor) has, will or would (as the case may be) 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 the Closing Date, and (ii) such obligation cannot be avoided by the Issuer or (if the Guarantee were called) the Guarantor taking reasonable measures available to it, provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer or (if the Guarantee were called) the Guarantor 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 and/or the Guarantor, as the case may be, stating that the obligation referred to in (i) above has arisen and cannot be avoided by the Issuer or (if the Guarantee were called) the Guarantor 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 and/or the Guarantor, as the case may be, has, will or would (as the case may be) 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 be entitled to 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 such certificate 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 but unpaid interest up to (but excluding) the Tax Redemption Date.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that his Bond(s) shall not be redeemed pursuant to such Tax Redemption Notice and that the provisions of Condition 9 shall not apply in respect of any payment in respect of principal or interest to be made on such Bonds or, as the case may be, under the Guarantee by the Issuer or, as the case may be, the Guarantor which falls due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer or, as the case may be, the Guarantor in respect thereof pursuant to Condition 9 and payment in respect of all amounts of principal and interest on such Bonds or, as the case may be, under the Guarantee 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.

References in this Condition 7(c) to Jersey and the United Kingdom shall be deemed also to refer to any jurisdiction in respect of which any undertaking or covenant equivalent to that in Condition 9 is given pursuant to the Trust Deed, (except that as regards such jurisdiction the words “becomes effective on or after the Closing Date” at paragraph 7(c)(i) above shall be replaced with the words “becomes effective after, and has not been announced on or before, the date on which any undertaking or covenant equivalent to that in Condition 9 was given pursuant to

the Trust Deed”) and references in this Condition 7(c) to additional amounts payable under Condition 9 shall be deemed also to refer to additional amounts payable under any such undertaking or covenant.

(d) *Optional Redemption and Tax Redemption Notices*

The Issuer shall not give an Optional Redemption Notice or Tax Redemption Notice at any time during a Change of Control Period or an Offer Period or which specifies a date for redemption falling in a Change of Control Period or an Offer Period or the period of 21 days following the end of a Change of Control Period or Offer Period (whether or not the relevant notice was given prior to or during such Change of Control Period or Offer Period), and any such notice shall be invalid and of no effect (whether or not given prior to the relevant Change of Control Period or Offer Period) and the relevant redemption shall not be made.

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.

“**Offer Period**” means the period during which the Guarantor is stated as being in an offer period on the Takeover Panel’s Disclosure Table on the Takeover Panel’s website.

(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 up 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 and Interest*

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 in respect of such payment.

(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 Condition 8(a) and (b) will be made by transfer to a Sterling account maintained by the payee with a bank in London.

Payment instructions (for value on the due date or, if that day is not a London business day, for value the first following day which is a London business day) will be initiated on the London business day preceding the due date for payment (for value the next London business day).

(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 9. 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 London business day.

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

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 the Registrar and to appoint additional or other Paying, Transfer and Conversion Agents or another Registrar, provided that the Issuer and the Guarantor 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 (if any) 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. The Issuer and the Guarantor reserve the right under the Calculation Agency Agreement at any time to vary or terminate the appointment of the Calculation Agent and appoint another Calculation Agent, provided that they will maintain a Calculation Agent which shall be a financial institution of international repute or a financial adviser with appropriate expertise.

(g) *No charges*

None of the Registrar and the Paying, Transfer and Conversion Agents shall make or impose on a Bondholder any charge or commission in relation to any payment, exchange, transfer or conversion in respect of the Bonds.

(h) *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.

The Bonds on issue will be represented by a global Bond (the "Global Bond") registered in the name of, and held by a nominee on behalf of, a common depositary for Euroclear Bank S.A./N.V. ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"). All payments in respect of Bonds represented by the Global Bond will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

9 Taxation

All payments made by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee 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 received by them 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 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.

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 therefore 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).

Where a withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature is imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, the exclusions in Condition 9(a) will only apply if the Bonds have been (even if they no longer remain) listed on a recognised stock exchange (as such term is defined in section 1005 of the Income Tax Act 2007)).

10 Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution of the Bondholders shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall therefore immediately become, due and repayable at their principal amount together with accrued interest (as provided in the Trust Deed):

- (a) the Issuer or the Guarantor fails to pay when due the principal or interest on any of the Bonds or any other sum due from it under the Bonds or to issue and deliver Preference Shares and/or Ordinary Shares as provided in these Conditions following any exercise of Conversion Rights and such failure continues for a period of 14 days in the case of any payment of interest and for seven days in any other case; or
- (b) the Issuer or the Guarantor fails to perform or observe any of its other obligations (including any purported obligation under the Trust Deed which may be unenforceable as an unlawful fettering of the Guarantor’s exercise of its statutory powers) under the Bonds, the Trust Deed or the Deed Poll and in any such case (except where the same is incapable of remedy when no such continuation or notice as is hereinafter referred to will be required) the same continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or, as the case may be, the Guarantor of notice requiring the same to be remedied; or
- (c) (i) any other present or future indebtedness for borrowed money of the Issuer or the Guarantor becomes payable prior to its stated maturity by reason of an event of default 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 fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any such indebtedness, provided that the amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or

exceeds £10,000,000 (or its equivalent in another currency); or

- (d) a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any (in the opinion of the Trustee) substantial part of the property, assets or revenues of the Issuer or the Guarantor following upon a decree or judgment of a court of competent jurisdiction and is not discharged or stayed within 28 days; or
 - (e) any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor in respect of all or in the opinion of the Trustee a substantial part of the property, assets or revenues of the Issuer or the Guarantor 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) the Issuer or the Guarantor is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts within the meaning of Section 123(1)(b)-(e) and (2) of the Insolvency Act 1986, or stops, suspends or threatens to stop or suspend payment of all or in the opinion of the Trustee a substantial part of (or of a particular type of) its debts, or proposes or makes a general assignment or an arrangement or composition or other similar arrangement 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
 - (g) an order is made or an effective resolution is passed for the winding up or dissolution or administration of the Issuer or the Guarantor, or the directors of the Issuer or the Guarantor request any person to appoint an administrator, or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations which represents all or substantially all the business and operations of the Guarantor and its subsidiaries taken as a whole, except, in any such case, for the purpose of or in connection with a reconstruction, amalgamation, reorganisation, merger or consolidation on terms previously approved by the Trustee or by an Extraordinary Resolution of the Bondholders; or
 - (h) an administrative or other receiver or any manager is duly appointed of the Issuer or the Guarantor or the directors of the Issuer or the Guarantor request any person to appoint such a receiver or manager over any of their respective assets or properties which are material in the context of the business of the Issuer or the Guarantor and its Subsidiaries taken as a whole; or
 - (i) the Issuer ceases to be a wholly-owned Subsidiary of the Guarantor excluding for such purposes any Preference Shares held at any moment by a Bondholder following exercise of a Conversion Right; or
 - (j) the Guarantee or the Deed Poll is not (or is claimed by the Guarantor not to be) in full force and effect; or
 - (k) 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 an event falling within paragraph (b) or (d), the Trustee shall have certified in writing to the Issuer that in its opinion such event is materially prejudicial to the interests of the Bondholders.

As used in these Conditions:

“indebtedness for borrowed money” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for (a) money borrowed, (b) liabilities under or in respect of any acceptance or acceptance credit or (c) any notes, bonds, debentures, debenture stock, loan stock or other debt securities offered, issued or distributed by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;

11 Undertakings

(a) *Deed Poll*

Whilst any Conversion 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 or waiver of any provision of 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 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) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
 - (1) pursuant to a Scheme of Arrangement involving a reduction and cancellation of Ordinary Shares and the issue to Shareholders of an equal number of Ordinary Shares by way of capitalisation of profits or reserves; or
 - (2) pursuant to a Newco Scheme; or
 - (3) 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
 - (4) 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
 - (5) 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
 - (6) 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 these Conditions relating to roundings and minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Exchange Price unless, in any such case, the same constitutes a Dividend or otherwise gives (or, in the case of an issue or payment up of Securities in connection with a Change of Control, will give) rise (or would, but for the provisions of these Conditions relating to roundings, minimum adjustments or the carry forward of adjustments, give rise) to an adjustment to the Exchange Price or is (or, in the case of any issue or payment up of Securities in connection with a Change of Control, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made;

- (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 Adviser, materially prejudicial to the interests of the holders of the Bonds upon which opinion the Trustee shall be entitled to rely absolutely without liability to any person; or
 - (4) any issue of equity share capital where the issue of such equity share capital results, or would, but for the provisions of these Conditions 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 therefore 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 Guarantor shall have instructed an Independent Adviser to determine in good faith what (if any) adjustments should be made to the Exchange Price as being fair and reasonable to take account thereof and such Independent Adviser shall have determined in good faith 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) the amendment of the Articles of Association of the Guarantor following a Change of Control to ensure that any Bondholder exercising its Conversion Right where the Conversion Date falls on or after the occurrence of a Change of Control will receive the same consideration in respect of any Ordinary Shares required to be issued or transferred and delivered to it in exchange for Preference Shares issued to such Bondholder in respect of such exercise as it would have received in respect of such Ordinary Shares had such Ordinary Shares been entitled to participate in the relevant Scheme of Arrangement or tendered in the relevant offer;
- (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 these Conditions 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, following the exercise of Conversion Rights, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid in exchange for Preference Shares pursuant to these Conditions;
 - (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) as provided in paragraph (b)(i)(1); or
 - (9) pursuant to a Newco Scheme; or
 - (10) by way of transfer to reserves as permitted under applicable law; or
 - (11) where the reduction is permitted by applicable law and the Trustee is advised in writing by an Independent Adviser, acting as an expert and in good faith, that the interests of the Bondholders will not be materially prejudiced by such reduction; or
 - (12) where the reduction is permitted by applicable law and results (or, in the case of a reduction in connection with a Change of Control, will result) in (or would, but for the provisions of these Conditions relating to roundings or the carry forward of adjustments, result in) an adjustment to the Exchange Price or is (or, in the case of a reduction in connection with a Change of Control, will be) 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 or the Trustee;
- (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 in writing of such offer or scheme to the Trustee and 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 the exchange of Preference Shares pursuant to these Conditions and/or to the holders of the Bonds (which like offer or scheme in respect of such Bondholders shall entitle any such Bondholders to receive the same type and amount of consideration it would have received had it held the number of Ordinary Shares to which such Bondholder would be entitled assuming he were to exercise his Conversion Rights in the relevant Change of Control Period);

- (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:
 - (1) 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);
 - (2) 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 the Conditions provide at least the same protections and benefits to the Trustee and the Bondholders following the implementation of such Scheme of Arrangement as they provided to the Trustee and the Bondholders prior to the implementation of the Scheme of Arrangement, *mutatis mutandis*; and
 - (3) the ordinary shares or units or equivalent of Newco are (A) admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market or (B) 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 on exchange of Preference Shares pursuant to these Conditions 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) use all reasonable endeavours to ensure, at its own cost, that its issued and outstanding Ordinary Shares are (A) admitted to the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's EEA Regulated Market or (B) admitted to listing on another regulated, regularly operating, recognised stock exchange or securities market (but so that this undertaking shall not be considered as being breached as a result of a Change of Control (whether or not recommended or approved by the board of directors of the Guarantor) that causes or gives rise to whether following the operation of any applicable compulsory acquisition provision or otherwise including at the request of the person or persons controlling the Guarantor as a result of the Change of Control a de-listing of the Ordinary Shares);
- (x) at all times keep available for issue free from pre-emptive rights a sufficient number of

Ordinary Shares to enable the Preference Shares to be issued on exercise of Conversion Rights to be exchanged for Ordinary Shares, and all other rights of subscription and exchange for Ordinary Shares, to be satisfied in full at the current subscription prices or exchange prices;

- (xi) in accordance with its obligations under the Deed Poll, undertake to procure the performance by the Issuer of all the Issuer's obligations with respect to the Preference Shares; and
 - (xii) 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) 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;
 - (ii) 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;
 - (iii) not issue any other share capital, excluding Founders' Shares (as defined in the Articles of the Issuer), 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;
 - (iv) 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
 - (v) 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.

Each of the Issuer and the Guarantor has undertaken in the Trust Deed to deliver to the Trustee annually and otherwise on request of the Trustee a certificate signed by two of its directors as to there not having occurred an Event of Default or Potential Event of Default (as defined in the Trust Deed) 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 without liability 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, 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 Issuer 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 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 the rights of Bondholders to receive Ordinary Shares on exchange of the Preference Shares issued on the exercise of Conversion Rights pursuant to these Conditions (other than pursuant to or as a result of any amendments to these Conditions and the Trust Deed made pursuant to and in accordance with the provisions of Condition 11(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 these Conditions 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 Bonds or any payment in respect of the Bonds, (viii) to change the governing law of the Bonds, the Trust Deed, the Deed Poll, the Agency Agreement or the Calculation 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 by the Bondholders shall be binding on all of the Bondholders (whether or not they were

present at any meeting at which such resolution was passed and whether or not they voted on such resolution).

The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held by or on behalf of the holder(s) of not less than three-fourths of the persons eligible to vote at such meeting, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Bonds for the time being outstanding or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than three-fourths in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the 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, 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, 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, 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 that any Event of Default or 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 are not 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 shall, without the consent of the Bondholders, agree to any substitution as provided in, and for the purposes of, Condition 11(b)(vii) following (or as part of) a Newco Scheme as more particularly described in the Trust Deed. In addition, the Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Bondholders, 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 the preference shares in the capital of the substituted company, 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 Conditions, with such amendments as the Trustee shall consider appropriate in any such case subject to (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 but shall not have regard to any interests arising from circumstances particular to individual Bondholders (whatever their number) 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, except to the extent already provided for in these Conditions or the Trust Deed.

15 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings, actions or steps against the Issuer or the Guarantor 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 pre-funded 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:

- (i) provisions relieving it from taking actions, steps or proceedings unless indemnified and/or secured and/or pre-funded to its satisfaction; and
- (ii) provisions limiting or excluding its liability in certain circumstances. 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 Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

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, an Independent Adviser

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 any other person 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 in one leading daily newspaper in the United Kingdom (which is expected to be the *Financial Times*) or, if this is not possible, in one other leading English language newspaper with general circulation in Europe. The Issuer or, as the case may be, the Guarantor 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, the Calculation Agency Agreement, and the Bonds and any non-contractual obligations arising out of or in connection with any of 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 any non-contractual obligations arising out of or in connection with them) 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 3, Monkspath Hall Road, Solihull, West Midlands, B90 4SJ 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.

(d) *Waiver in respect of Jersey Law*

The Issuer irrevocably and unconditionally abandons and waives any right which it may have at any time under the existing or future laws of Jersey whether by virtue of the *droit de division* or otherwise to require that any liability under these Conditions be divided or apportioned with any other person or reduced in any manner whatsoever.

USE OF PROCEEDS

The proceeds of the Bonds were lent by the Issuer to the Guarantor and used by the Guarantor to repay certain of its secured indebtedness and for general corporate purposes. The net proceeds of the issue of the Bonds were £95,060,000.

DESCRIPTION OF THE GUARANTOR

The legal and commercial name of the Guarantor is Enterprise Inns plc. The Guarantor was registered and incorporated in England and Wales on 27 November 1990 under registration number 2562808 and operates under the Companies Act as a public limited company. The Guarantor's registered office is located at 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ and the telephone number is +44 (0)121 733 7700.

The Guarantor is the parent company of the Group. As the parent company of the Group, the Guarantor is in part dependent on receiving dividends and revenues from its subsidiaries. As at the date of this Listing Prospectus, the Guarantor has issued 555,977,435 fully paid ordinary shares of 2.5 pence each.

Overview

In September 1991, the business of the Guarantor was founded by Ted Tuppen, current Chief Executive Officer, when the Guarantor acquired 368 pubs from Bass plc. The Guarantor was floated on the London Stock Exchange in November 1995. Since 1991 there have been three distinct phases in the development of the Group's business, as follows.

1991–2000: Flotation and acquisition of pub portfolios

During this period, the Group focused on assembling a strong management team, floating on the London Stock Exchange and acquiring a number of pub portfolios, which included:

- In June 1995, the purchase of John Labbatt (UK) Limited, whose portfolio consisted of 511 pubs.
- In May 1997, the purchase of Discovery Inns Limited, whose portfolio consisted of 277 pubs.
- In February 1998, the purchase of Gibbs Mew plc, whose portfolio consisted of 310 pubs.
- In October 1998, the purchase of Mayfair Taverns Limited, whose portfolio consisted of 276 pubs.
- In April 1999, the purchase of Century Inns plc, whose portfolio consisted of 498 pubs, and in June 1999 the purchase of an additional 217 Bass plc pubs, increasing the Group's total estate by 901 pubs to 2,430.
- In June 2000, the purchase of the Swallow Inns and Restaurant business from Whitbread plc, whose portfolio consisted of 183 managed pubs. Subsequently 35 of these pubs were sold and the remaining 148 pubs were converted to the leased and tenanted business model.

2001–2004: Acquisition of large pub portfolios

The second phase of growth focused on three significant events, each of which enhanced the quality of the Group's pub estate and generated significant economies of scale. During this period the Group also completed a number of disposals to comply with the requirements of the Office of Fair Trading.

- In June 2001, the Group bought 439 managed pubs that had previously been owned by Whitbread plc from Morgan Grenfell Private Equity. In July of the same year, the Group also bought 431 managed pubs from Scottish & Newcastle plc. All of these managed pubs were converted to the leased and tenanted business model.
- In May 2002, the Group bought the Laurel estate, which consisted of 1,860 leased and tenanted pubs previously owned by Whitbread plc, from Morgan Grenfell Private Equity, increasing the Group's estate to 5,300 pubs.
- In March 2002, the Group acquired a 16.8 per cent. share in a consortium created to buy the Unique Pub Company, which consisted of 4,054 pubs, from Nomura International plc. In March 2004, the Group bought the remaining 83.2 per cent. interest in the Unique Pub Company, making the Group the largest

pub company in the United Kingdom, with over 9,000 pubs. The following month 239 pubs were sold to Admiral Taverns to comply with undertakings given to the Office of Fair Trading concerning the Group's concentrated ownership in certain geographical regions. The Group sold a further 41 pubs to Admiral Taverns in May 2005.

2005–Present: Consolidation of the pub estate with a focus on quality and stability

Since 2005, the Group has continued its focus on the development of a quality estate. The Group has sought to invest in the estate, to acquire high quality pubs and to dispose of pubs that do not meet its profile in terms of quality and profitability for both the Group and its publicans.

- In the three years to September 2008, the Group invested £219 million acquiring 261 high quality pubs. The Group invested a further £197 million in capital expenditure on the pub estate and realised £520 million through the disposal of 1,088 pubs. The disposals included 769 pubs sold to Admiral Taverns in 2006 and the disposal of the entire Scottish estate of 137 pubs in 2007.
- Since September 2008, due to a challenging economic environment, the Group has accelerated its disposal programme, focusing resources on disposing of potentially unviable pubs, together with a limited selection of exceptional properties at a higher multiple. In total in the period from September 2008 to 31 March 2013 the Group disposed of 1,875 pubs, the equivalent of 24 per cent. of its estate by number, generating net proceeds after disposal costs of approximately £616 million, which was mainly used to repay debt. In addition, during the period from September 2009 to March 2012 the sale and leaseback of 193 properties was completed generating net proceeds of £268 million.

Activities of the Group

The principal activity of the Group is the operation of public houses under the leased and tenanted pub model. This involves the granting of leases to publicans who operate the pubs as their own businesses and who must pay rent to the Group, purchase beer and other drinks from the Group or suppliers nominated by it and enter into income sharing arrangements with the Group in relation to income generated from leisure machines. All of the Group's public houses are situated in England and Wales and the Group's business model continues to focus on being the leading specialist operator of leased and tenanted pubs. Support through a package of flexible lease agreements to publicans, investment in the pub estate and the disposal of unsustainable pubs helps to deliver strong cash flows to meet the Group's flexible financing arrangements.

Objectives and Strategy

In order to secure the path to earnings growth, the operational teams are focusing on four key differentiating activities: enhancing the quality of the estate; attracting and retaining the right publicans; providing exceptional local support and selling in smarter ways to optimise income.

Enhancing the quality of the estate

Changes in the local market conditions for a particular pub can be so severe that even the best publicans cannot generate a sustainable level of return, despite their skilled management. In such circumstances the Guarantor is committed to working with the publican to identify alternative opportunities for generating income, whilst the Guarantor property team facilitates working to optimise the alternate use value of the asset. This churn removes the unsustainable element of the estate and generates cash proceeds from disposal that can be used to repay debt or invested in the core retained assets to optimise their income potential.

Over the next three years, the Guarantor expects the size of the estate to reduce to approximately 5,200 pubs (from 5,899 pubs as at 31 March 2013). Over the same period, the Guarantor plans to maintain levels of investment and spend approximately £180 million to improve the quality of its estate. In the recent past, a significant proportion of capital expenditure has, of necessity, been defensive in nature, ensuring basic

functionality is in place to enable a continuation of trade. Looking forward, the Guarantor plans to direct an increasing proportion of capital expenditure on growth driving activities, where appropriate, repositioning pub businesses to meet the changing needs of their local customer base.

Attracting and retaining the right publicans to the Guarantor

Identifying, recruiting and supporting well-funded, quality publicans are critical success criteria for the Guarantor and the current plan is to reinvigorate the suite of agreements offered to publicans. Quality pubs, together with attractive and flexible agreements, will attract the best talent and allow entrepreneurialism to flourish within the pub industry. The Guarantor has many highly successful pubs and publicans, frequently acknowledged for their quality and contribution to their communities. For example, in 2012, the Royal Oak Inn in Appleby-in-Westmorland was recognised as the UK's Best Tenanted/Leased Pub in the annual Great British Pub Awards.

A change of publican can be the catalyst for revitalising and securing the prospects of a pub. A seamless transition from one publican to another is always the preferred outcome for publicans, their customers and the Guarantor. However, in recent market conditions this outcome has sometimes been difficult to achieve. Even the best publicans may need support to tackle the multiple challenges of declining consumer confidence, increased overhead costs, the burden of increases in taxation and the high cost of regulation. In an attempt to prevent outright failure, the Guarantor has continued to provide temporary concessions to publicans where appropriate, and saw this cost reduce from £15 million in 2011 to £6 million in 2012. Some of this reduction has been embedded in amended terms for good publicans because the Guarantor acknowledges the permanent nature of changes in the market within which they operate. However the Guarantor has also removed concessions where it is clear that a change of publican is the best outcome for the trading prospects of the pub.

Exceptional local support

The regional managers of the Guarantor are at the core of the commercial relationship between the Guarantor and its publicans. During 2012 the Guarantor invested in additional resources to enable its teams to spend more time directly engaging with publicans, in order to understand their needs and to help provide business building solutions.

At a time when the role of great publicans at the heart of their community has never been so important, the Guarantor also set out to recognise the many publicans who add so much more to their communities than simply serving quality food and drink. The Guarantor is investing £1 million over the next ten years to fund "*Community Hero Awards*", which have been established to celebrate the contribution of publicans who have such an impact on the fabric and cohesion of their communities. From the many nominations throughout the estate, 18 regional awards were made, and the national award for 2012 was presented to publicans at The Hare Inn in Leighton Buzzard, who proved to be community heroes, organising local events to benefit veterans and the homeless. A similar process was undertaken for the 2013 awards.

Selling smarter

Development of the Guarantor's product offering will include initiatives to extract greater value from the increasing importance of food, entertainment and technology to the appeal of pubs in their local markets. The Guarantor is progressing e-commerce plans to enable online order capture, which will enhance the capability of the Guarantor in product up-selling and tele-marketing. Key to the development of the product offer is the relationship if the Guarantor with suppliers, which continues to be strong. The Guarantor is planning to work with suppliers to identify margin growth opportunities and target product mix and innovations that benefit publicans and generate incomes for the Guarantor.

Alongside the product offering of the Guarantor's pubs, there is already provision of an extensive range of marketing support activity to publicans to allow them to service the demands of their customers and to compete

effectively in their chosen market. For example, in cask ale, which now represents 20 per cent. of all beer sales volumes, the Guarantor sources 1,538 brands from 474 brewers, including 451 members of SIBA, who deliver their products directly to participating pubs, maintaining important relationships between local producer and publican and enabling our pubs to differentiate their drinks range from their competitors. The Guarantor is implementing quarterly marketing campaigns that are events-led and category focused, which are supported by comprehensive marketing materials, the resources of partner suppliers and the Guarantor's regional teams.

The training solutions provided by the Guarantor have recently been enhanced to include a "Building your Business" programme which is designed to enable existing and new publicans to improve footfall and spend per head. Further training was provided in such areas as social networking and media marketing skills as well as more traditional business management activities.

Recent Developments

The 2012 financial year and first half of 2013 was a period of steady progress in the underlying business of the Guarantor. Excluding certain unusual events in the first half of 2013, the Guarantor maintained momentum towards its goal of like-for-like growth in pub income and improved the quality of its estate through both investment and the disposal of underperforming pubs.

Over this 18 month period, the Group generated £262 million from a pub disposal programme, with the proceeds largely being used to reduce net bank borrowings from £446 million in 2011 to £266 million at 31 March 2013. In addition the Guarantor used available cash to purchase and cancel £74 million of Unique bonds at an average discount of 18 per cent. Secure asset backing and the strong cash generative nature of the business enabled the Guarantor to agree a new Forward Start Facility in May 2012 of £220 million, which has extended the availability of bank funding through to 2016.

The Guarantor also invested in additional senior management to lead regional management teams and appointed a property managing director to optimise the returns from its large and diverse property portfolio. These moves, together with a strengthened Commercial team, emphasise the focus of the Guarantor on further improving its trading performance.

The 2013 first half performance reported a decline in like-for-like net income of 4.2 per cent. However, this was adversely impacted by some exceptionally poor winter weather alongside the cessation of trading of Waverley, the wines and spirits distributor of the Guarantor.

The Guarantor saw an improving trend in performance in the second half, with like-for-like net income for the total estate down by 2.7 per cent. in the 18 weeks to 3 August 2013 as the third quarter has faced tough comparatives against the prior year due to the timing of Easter and the positive impact from the Euro 2012 football championship and the Queen's Diamond Jubilee celebrations. Encouragingly, the first five weeks of the final quarter saw like-for-like net income growth.

Key to sustaining improved performance in like-for-like net income is the successful execution of the Guarantor's many operational activities. The rate of business failures continues to fall and the Guarantor is making good progress with the roll out of new services to publicans, such as the deployment of free Wifi, the provision of improved food pricing and support and the availability of discounted Sky entertainment packages. The Guarantor is also maintaining investment in the estate, including the completion of 656 exterior redecorations by August 2013, many of which were completed during June and July 2013.

Directors of the Guarantor

The directors of the Guarantor, their position and principal activities outside the Group, where those are significant, are as follows:

Name	Position	Outside Directorships/Activities
R M Walker	Chairman	Chairman of Travis Perkins plc and Americana International Holdings Limited and Senior Independent Director of Tate & Lyle plc.
G E Tuppen	Chief Executive	Vice President of the British Beer and Pub Association and a trustee of Drinkaware.
W S Townsend	Chief Operating Officer	Vice Chairman of the British Beer and Pub Association.
N R Smith	Chief Financial Officer	N/A
S E Murray	Independent Non-Executive Director	Chairman of Farrow & Ball and a non-executive director of Compass Group plc, Imperial Tobacco plc and Pernod Ricard
D O Maloney	Senior Independent Director	Chairman of Reed & Mackay Travel Ltd and Brandon Hire Ltd, Deputy Chairman of Micro Focus International plc, a senior independent director of Stock Spirits Group plc and a non-executive director of Cineworld plc. Also Chairman of the Board of Trustees of the Make-A-Wish Foundation.
P J Baguley	Independent Non-Executive Director	Independent consultant providing strategic property advice.

The business address of each of the directors is 3 Monkspath Hall Road, Solihull, West Midlands, B90 4SJ.

Conflicts of Interests

Neil Smith is a director of the Issuer. Potential conflicts of interests may arise between the duties owed by Neil Smith to the Guarantor and his duties to the Issuer.

Save for the interests disclosed above, there are no conflicts of interests between the duties to the Guarantor of the directors and their private interests and/or other duties.

Annual Financial Reports

Individual company accounts (and notes to the accounts) for each financial year of the Guarantor must be prepared in accordance with section 394 of the Companies Act 2006 (the “**Companies Act**”). Group accounts for each financial year must also be prepared pursuant to section 399 of the Companies Act.

Accounting period

The annual financial reports are prepared by reference to the Guarantor’s accounting period, which ends on its accounting reference date (“**ARD**”), which is 30 September. Each accounting period is 12 months long, starting on the day after the previous accounting period ended and finishing on the ARD or up to seven days either side of it.

Applicable accounting standards

The financial reporting framework that is applied in the preparation of the Guarantor's annual financial reports is the International Financial Reporting Standards as adopted by the European Union.

Publication of the annual financial reports

The Guarantor must make public its annual financial reports at the latest four months after the ARD that is by 31 January each year.

Half-yearly Financial Reports

Half-yearly financial reports covering the first six months of each financial year of the Guarantor must be prepared.

Publication of the half-yearly financial reports

The Guarantor must make public its half-yearly financial reports as soon as possible, but no later than two months after the end of the accounting period to which the relevant report relates.

General Meetings

Under section 336(1) of the Companies Act, public companies like the Guarantor are obliged to hold an annual general meeting ("AGM") within the period of six months beginning with the day following its ARD. As such, the Guarantor's AGM must be held on or before 31 March each year.

The board of directors has the power to call general meetings at any time. Members, auditors and the court also have certain rights to call general meetings.

Entitlement to receive notice

The Companies Act provides that each member (that is to say, each shareholder) of the Guarantor and each director of the Guarantor is entitled to receive notice of a general meeting.

Under section 502 of the Companies Act, the Guarantor's auditors are entitled to receive all notices of, and other communications relating to, a general meeting that a member is entitled to receive.

Length of notice required to call a general meeting

The minimum notice period for an AGM is 21 clear days.

The minimum notice period for a general meeting is also 21 clear days. However, a general meeting can be held on a minimum of 14 clear days' notice if a special resolution authorising general meetings to be held on not less than 14 clear days' notice has been passed by shareholders at a general meeting. The Guarantor usually proposes such a resolution at its AGM every year.

Information to be published on website in advance of general meeting

Section 311A of the Companies Act provides that the Guarantor must include on a website the matters set out in the notice of general meeting.

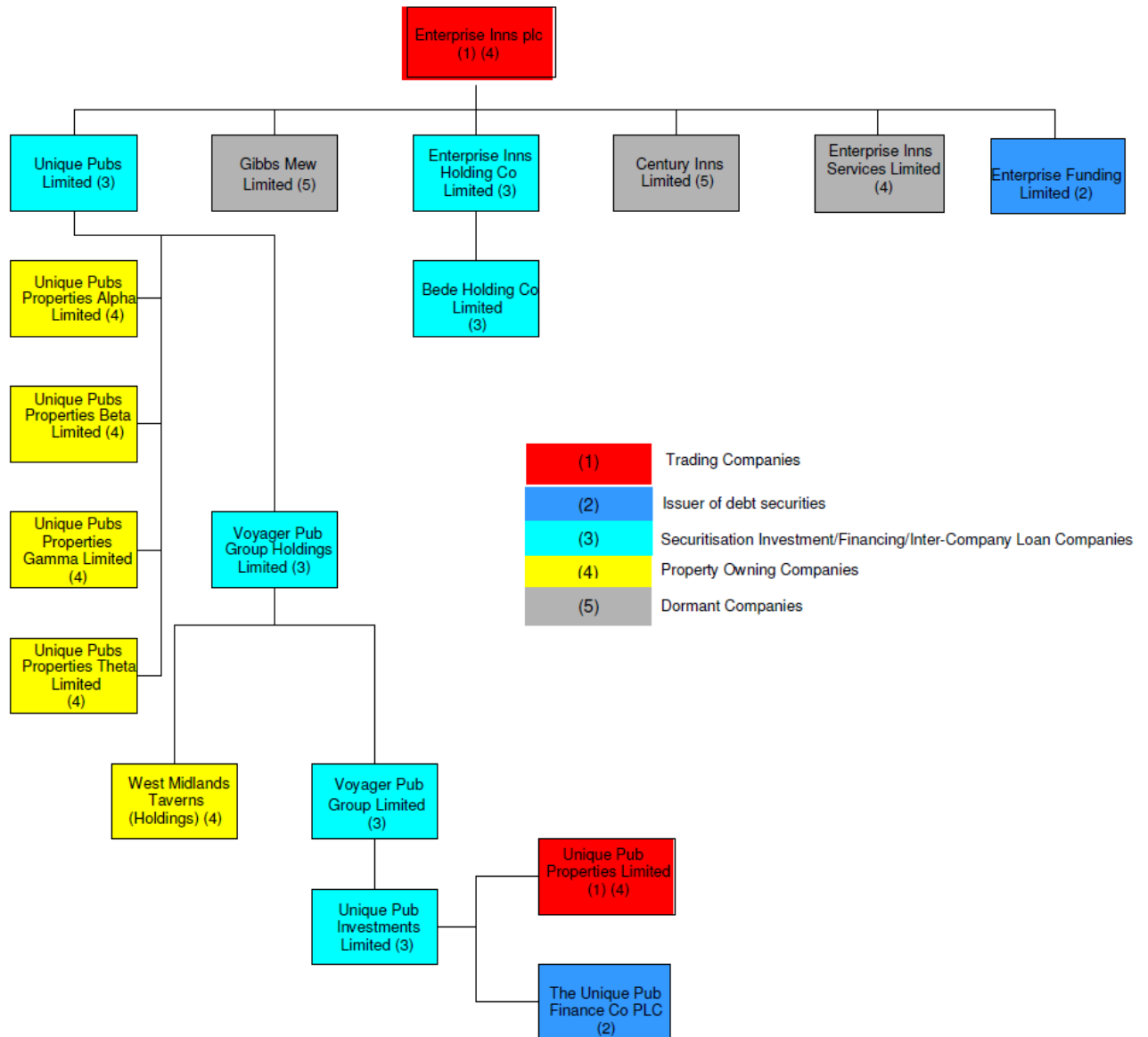
The information must be:

- made available on or before the first date on which notice of the meeting is given; and

- kept available throughout the period of two years beginning with the date on which it is first made available on the Guarantor's website (www.enterpriseinns.com).

Group Structure Chart

As at the date of this Listing Prospectus, the group structure of the Group is as follows:



DESCRIPTION OF THE ISSUER

Introduction

The Issuer was incorporated in Jersey, Channel Islands (registered number 113852) on 28 August 2013 as a public company limited by shares under the Companies (Jersey) Law 1991, as amended, with its registered office at 22 Grenville Street, St Helier, JE4 8PX, Channel Islands, telephone number +44 (0)1534 676 000.

Business of the Issuer

The Issuer is a wholly-owned subsidiary of the Guarantor and its sole purposes are (i) to issue and maintain the Bonds (ii) to issue Preference Shares into which the Bonds are convertible and (iii) 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 its 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 is authorised to issue 10,000 shares with a par value of £1.00 each designated as Founders' Shares and 100,000,000 shares with a par value of £0.01 each designated as Redeemable Preference Shares. As of the date of this Listing Prospectus, the Issuer had issued 2 Founders' Shares at an agreed price of £1.00 each.

Corporate Administration

Mourant Ozannes Corporate Services (Jersey) Limited, 22 Grenville Street, St Helier, JE4 8PX, Channel Islands will act, or procure that an affiliate acts, as the corporate services provider for the Issuer (the "**Corporate Services Provider**"). In consideration of the foregoing, the Corporate Services Provider will be entitled to receive various fees payable by the Issuer or the Guarantor 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".

Directors

The directors of the Issuer and their other principal activities as of the date of this Listing Particulars are as follows:

Name	Function
Jonathan Hire	Director
Neil Smith	Director
Loretta Togher	Director

The business address of each of the directors is 3, Monkspath Hall Road, Solihull, West Midlands, B90 4SJ.

Jonathan Hire is the Group Financial Controller of the Guarantor, Neil Smith is the Chief Financial Officer of the Guarantor and Loretta Togher is the Company Secretary & Legal Counsel of the Guarantor. Potential conflicts of interests may, therefore, arise between the duties each of these directors owes to the Issuer and any duties he or she owes to the Guarantor.

There are no other conflicts of interests between any duties owed to the Issuer by any of its directors and his or her private interests and/or other duties.

Financial Statements

On an annual basis, the Issuer will prepare and publish audited financial statements, which will be filed in accordance with Jersey law. The Issuer only intends to prepare audited annual financial statements. As of the date of this Listing Prospectus, the Issuer has not yet prepared any financial statements.

It is anticipated that the Issuer will have an accounting reference date of 30 September with its first fiscal year ending 30 September 2014.

SUMMARY OF PROVISIONS RELATING TO THE BONDS WHILE IN GLOBAL FORM

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 the Alternative Clearing System (each as defined under “*Notices*” below) 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 the Global Bond 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 (each as defined under “*Notices*” below) are located.

Except as otherwise described in this Listing Prospectus, the Global Bond is subject to the Conditions 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.

The Conditions shall be modified with respect to Bonds represented by the Global Bond by the following provisions:

Notices

So long as the Global Bond is held on behalf of Euroclear Bank S.A./N.V. (“**Euroclear**”), or Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”) or such other clearing system as shall have been approved by the Trustee (the “**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 Conditions 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.

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 ten 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).

Meetings

The holder of the Global Bond shall (unless the Global Bond represents only one Bond) 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.

Conversion

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.

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.

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 the 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.

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 Exercise Notice, within the time limits set out in and containing the information required by Condition 7(c).

DESCRIPTION OF THE ORDINARY SHARES

The following section summarises certain provisions of the Articles of Association of the Guarantor (for the purpose of this section only, the “Articles”). This summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the Articles.

Share capital

As at the date of this Listing Prospectus, the Guarantor has issued 555,977,435 fully paid ordinary shares of 2.5 pence each. The ordinary shares are admitted to the premium segment of the Official List and to trading on the main market of the London Stock Exchange. The ordinary shares have been issued in both certificated and uncertificated form. The register of members is maintained by Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol BS13 8AE (the “**Registrars**”).

Voting rights of members

In general, all members who have properly registered their shares in time may participate in general meetings. If the notice of the meeting has specified a time (which is not more than 48 hours - ignoring any part of a day that is not a working day - before the time fixed for the meeting) by which a person must be entered on the register of members in order to have the right to attend and vote at the meeting, no person registered after that time shall be eligible to attend and vote at the meeting by right of that registration, even if present at the meeting.

Subject to any special terms as to voting for the time being attached to any shares in the Guarantor, on a show of hands every member present in person or by duly appointed proxy at a general meeting and entitled to vote shall have one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every share held by him. In the case of joint holders, the person whose name stands first in the register of members and who votes in person or by proxy is entitled to vote to the exclusion of all other joint holders.

No holder of an Ordinary Share shall, unless the board of directors of the Guarantor (the “**Board**”) otherwise determines, be entitled (except as a proxy for another member) to be present or vote at a general meeting either personally or by proxy if any call or other sum presently payable by him to the Guarantor in respect of that Ordinary Share remains unpaid; or if he or any other person who appears to be interested in the Ordinary Share has been duly served pursuant to the Companies Act 2006 with a disclosure notice.

A member in respect of whom an order has been made by any competent court or official on the ground that he is, or may be, suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised to do so on his behalf as long as evidence satisfactory to the Board of that person’s authority is provided in accordance with the Articles.

Dividends

Subject to the Statutes, the Guarantor may declare dividends by ordinary resolution, and interim dividends can be paid by the Board. No dividend may be paid in contravention of the special rights attaching to any share, and no dividend declared in general meeting shall be payable in excess of the amount recommended by the Board. Unless otherwise resolved, all dividends are apportioned and paid proportionately to the amounts paid up on the Ordinary Shares during any portion or portions of the period in respect of which the dividend is paid. A dividend may, upon the recommendation of the Board and on being approved by ordinary resolution, be wholly or partly satisfied by the distribution of assets and, in particular, of paid up shares or debentures of any other company. No dividend shall bear interest against the Guarantor unless otherwise provided by the rights attached to the share. Any dividend, interest or other sums payable and unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Guarantor until claimed. Any dividend, interest or other sums unclaimed for a period of 12 years from the date of such dividend having been declared, or such interest or other sums becoming payable, shall be forfeited and shall revert to the Guarantor.

The Board may, if authorised by ordinary resolution, offer any holder of Ordinary Shares of 2.5 pence each in the capital of the Guarantor (the “**Shareholders**”), in respect of any dividend, the right to elect to receive Ordinary Shares by way of scrip dividend instead of cash. The Board may withhold payment of all or any part of any dividends or other monies payable in respect of any Ordinary Shares that represents at least 0.25 per cent of the Ordinary Shares in issue (excluding any Ordinary Shares held as treasury shares) if a person who has, or appears to the Guarantor to have, an interest in those Ordinary Shares has failed to comply with a disclosure notice.

No dividends have declared or paid during any of the last three financial years of the Guarantor.

Return of capital

Under the Statutes, as there is nothing to the contrary in the Articles, on a voluntary winding-up of the Guarantor, the liquidator may divide among the members the whole or any part of the assets of the Guarantor. For such purpose, the liquidator may set the value and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out between members or classes of members.

Redeemable shares

Subject to the Statutes and to the rights attached to existing shares, shares may be issued which are to be redeemed or which are liable to be redeemed at the option of the Guarantor or of the holder, and the Board may determine the terms, conditions and manner of redemption of any such shares.

Form of holding of shares

The Ordinary Shares are in registered form and a register of members is maintained by the Registrars. Shares may be held in either certificated or (subject to the Articles) uncertificated form. The transferor of an Ordinary Share is deemed to remain the holder until the transferee’s name is entered in the register.

Transfer of shares

Ordinary Shares may be transferred, if in certificated form, by an instrument of transfer in writing in any usual form, or in such other form as the Board may approve or, if held in uncertificated form, in accordance with the Uncertificated Securities Regulation 2001 (the “**CREST Regulations**”) and the rules, regulations, procedures, facilities and requirements of Euroclear UK and Ireland Limited as operator (within the meaning of the CREST Regulations) of the CREST system (the “**CREST rules**”) or otherwise in such manner as the Board in its absolute discretion shall determine. Any instrument of transfer must be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee. Subject to the Statutes, the Board may refuse to register any transfer of a share:

- (a) which is not fully paid up (except that such discretion may not be exercised so as to prevent dealings in shares of that class from taking place on an open and proper basis);
- (b) if it is in certificated form, unless it is lodged, duly stamped (if required), at the registered office of the Guarantor and accompanied by the certificate for the shares to which it relates and/or evidence as the Board may reasonably require to show the right of the transferor to make the transfer;
- (c) if the transfer is not in respect of one class of share only;
- (d) if the transfer is not in favour of four or fewer transferees;
- (e) if the transfer is in favour of a minor, bankrupt or person of mental ill-health;

- (f) if it is held in uncertificated form, in any other circumstances permitted by the CREST Regulations and/or the CREST rules; or
- (g) where the Board is obliged or entitled to refuse to do so where a person has failed to comply with a disclosure notice.

Pre-emption rights

Subject to the Statutes and any resolution passed by the Guarantor, shares may be issued with such rights and restrictions as the Guarantor may by ordinary resolution determine, or (if there is no determination) as the Board may determine. Subject to the Statutes, the Articles and any resolution passed by the Guarantor, unissued shares are at the disposal of the Board.

Under the Statutes, if the Guarantor issues shares or certain other securities, current Shareholders will generally have pre-emption rights to those shares or securities on a pro-rata basis. The Shareholders may, by special resolution, grant authority to the Board to allot shares as if the pre-emption rights did not apply. This authority may be either specific or general and may not exceed a period of five years.

Variation of rights

Under the Statutes, as the Articles do not provide otherwise, the rights attached to any class of shares may be altered or abrogated with the written consent of the holders of not less than three fourths in number of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of that class.

Lien and forfeiture

The Guarantor has a lien on every partly-paid up share for all monies called or payable in respect of that share. The Guarantor may serve notice on the members in respect of any amounts unpaid on their shares. The member shall be given not less than 14 clear days' notice to pay the unpaid amount, together with any interest and all costs, charges and expenses incurred by the Guarantor. In the event of non-compliance, a share in respect of which the notice is given may be forfeited by resolution of the Board.

Disclosure of interests in shares and restrictions for failure to provide information

If a person appearing to have an interest in the issued share capital of the Guarantor of a class carrying rights to vote in all circumstances at general meetings has failed to give the Guarantor within 14 days information required by a notice requiring that information (a “**disclosure notice**”), the Board may, at its discretion, impose restrictions upon the relevant shares.

The restrictions available are the suspension of voting or other rights in relation to meetings of the Guarantor in respect of the relevant shares and, additionally, in the case of shareholders representing at least 0.25 per cent. of that class of shares (excluding any shares of that class held as treasury shares), the withholding of payment on dividends on, and in certain cases the restriction of transfers of, the relevant shares. The restrictions shall cease to apply seven days after the earlier of receipt by the Guarantor of notice of an excepted transfer (but only in relation to the shares transferred) and due compliance, subject to the satisfaction of the Board, with the disclosure notice. For these purposes, an excepted transfer means a transfer pursuant to acceptance of a takeover bid, or a sale of the whole beneficial interest in the shares on a recognised investment exchange or a stock exchange outside the United Kingdom on which the shares are normally traded, or a sale of the whole beneficial interest in the shares otherwise than on a stock exchange to a person whom the Board is satisfied is not connected with the transferor or with any person appearing to be interested in the shares.

The Disclosure and Transparency Rules require Shareholders (subject to certain exceptions) to notify the Guarantor if the voting rights directly or indirectly held (within the meaning of those rules) by such Shareholder reaches, exceeds or falls below three per cent. and each one per cent. threshold above that.

Evolution of share price

The share price as at the end of each of the last three financial years of the Guarantor and the high and low share price for each of those financial years is set out below. Past performance is no guide as to future performance and the Guarantor makes no forecasts or guarantees as to future share prices.

	<u>Date</u>	<u>Share Price</u> <u>(in pence)</u>
Year End	30 September 2013	144.5
High	10 September 2013	153.8
Low	8 October 2012	62.3
Year End	30 September 2012	63.0
High	10 May 2012	70.0
Low	5 January 2012	26.5
Year End	30 September 2011	33.3
High	25 October 2010	122.7
Low	9 September 2011	32.5

TAXATION

The following is a general description of Jersey and United Kingdom withholding and stamp taxes considerations relating to the Bonds. It does not constitute legal or tax advice and does not purport to be a complete analysis of all tax considerations relating to the Bonds whether in Jersey, the United Kingdom or elsewhere and relates only to persons who are the absolute beneficial owners of their Bonds. Prospective acquirers of Bonds should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Jersey and the United Kingdom of acquiring, holding and disposing of Bonds and receiving payments of interest, principal and/or other amounts under the Bonds or in respect of an exercise of Conversion Rights. The following is based upon the law and the Guarantor's and the Issuer's understanding of published revenue authority practice as in effect on the date of this Listing Prospectus and is subject to any change in law or practice that may take effect after such date (possibly with retrospective effect). The information below is a summary only and may not apply to certain categories of Bondholder.

Jersey Taxation

The following is a summary of the Guarantor's and the Issuer's understanding of Jersey tax law and practice, subject to the disclaimer above, relating to the withholding tax treatment of interest paid on the Bonds and the Jersey stamp duty implications of the acquisition, disposal or conversion of the Bonds.

Jersey Withholding tax

The Issuer is not regarded as resident for tax purposes in Jersey. 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).

Stamp duty

In Jersey, no stamp duty is 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.

Retention Tax in Jersey

As part of an agreement reached in connection with the European Union directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey has introduced 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 Notes issued by the Policy & Resources Department 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.

United Kingdom Taxation

The following is a summary of the Guarantor's and the Issuer's understanding of UK law and HM Revenue & Customs practice, subject to the disclaimer above, relating to the withholding tax treatment of interest paid on the Bonds and the UK stamp duty and stamp duty reserve tax implications of the acquisition, disposal or conversion of the Bonds.

UK Withholding Tax

Payments of interest on the Bonds may be made without deduction of or withholding on account of United Kingdom income tax provided that the Bonds are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007. The Luxembourg Stock Exchange is a recognised stock exchange. Bonds will be treated as listed on the Euro MTF market of the Luxembourg Stock Exchange if they are admitted to trading on that exchange and are officially listed in Luxembourg in accordance with provisions corresponding to those generally applicable in Luxembourg. HM Revenue & Customs have confirmed that securities that are admitted to trading on the Professional Securities Market will satisfy the condition of being admitted to trading on the London Stock Exchange. Provided, therefore, that the Bonds are and remain so listed, interest on the Bonds should be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Bonds may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Bonds is paid by a company and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Bonds is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest; provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Bonds on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to interest paid to a Bondholder, HMRC can issue a notice to the Issuer to pay interest to the Bondholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Depending on the correct legal analysis of payments made by the Parent Guarantor under the guarantee as a matter of UK tax law, payments by the Guarantor may be subject to withholding or deduction for or on account of United Kingdom tax, subject to any claim which could be made under an applicable double tax treaty or any other applicable exemption or relief.

Any paying agent or other person through whom interest is paid to, or by whom interest is received on behalf of, an individual (whether resident in the UK or elsewhere) may be required to provide information in relation to the payment and the individual concerned to HM Revenue & Customs. HM Revenue & Customs may communicate information to the tax authorities of other jurisdictions.

EU Savings Directive

Under EU Council Directive 2003/48/EC on the taxation of savings income (the EU Savings Directive), each member state of the European Union (a Member State) is required to provide to the tax authorities of another Member State details of payments of interest (or similar income) made by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State or certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments, deducting tax at the rate of 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-European Union countries to the exchange of information relating to such payments.

A number of non-European Union countries including Switzerland have adopted similar measures (either provision of information or transitional withholding and a withholding system in the case of Switzerland) 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 entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

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

UK Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)

No UK stamp duty or SDRT should be payable on the issue of the Bonds.

As the Issuer is not incorporated in the United Kingdom and the Bonds are not registered in a register kept in the United Kingdom by or on behalf of the Issuer, it is considered that no SDRT should be payable on the transfer of, or an agreement to transfer, the Bonds. No UK stamp duty should be payable on the transfer of the Bonds provided that this does not involve a written instrument of transfer. Stamp duty, generally at the rate of 0.5 per cent, of the amount or value of the consideration for the transfer, could arise only in respect of a written instrument effecting the transfer of the Bonds.

Subject to the comments that follow, no UK stamp duty or SDRT should be payable on the issue of the Preference Shares.

As the Issuer is not incorporated in the United Kingdom and the Preference Shares are not registered in a register kept in the United Kingdom by or on behalf of the Issuer, it is considered that no SDRT should be payable on the transfer of, or an agreement to transfer, the Preference Shares. No UK stamp duty should be payable on the transfer of the Preference Shares provided that this does not involve a written instrument of transfer. Stamp duty, generally at the rate of 0.5 per cent, of the amount or value of the consideration for the transfer, could arise only in respect of a written instrument effecting the transfer of the Preference Shares.

Subject to the comments that follow, no UK stamp duty or SDRT should be payable by the Bondholders on an issue of Ordinary Shares to them (or their nominee on their behalf) on a conversion of the Bonds.

Special rules apply in relation to Ordinary Shares or Preference Shares issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent. Following litigation, HM Revenue & Customs has accepted that they will no longer seek to apply the 1.5 per cent. SDRT

charge on an issue of shares into a clearance service or depositary receipt arrangement, on the basis that the charge is not compatible with EU law

IF YOU ARE IN ANY DOUBT AS TO YOUR TAX POSITION, YOU SHOULD CONSULT AN APPROPRIATE PROFESSIONAL ADVISER WITHOUT DELAY.

IN PARTICULAR, EXCEPT AS SET OUT ABOVE, THIS SUMMARY DOES NOT ADDRESS THE TAX CONSEQUENCES OF A CONVERSION OR DISPOSAL OF THE BONDS OR A DISPOSAL OF ANY ORDINARY SHARES TO WHICH THE BONDS MAY CONVERT. IN ADDITION, EXCEPT AS SET OUT ABOVE, IT DOES NOT DISCUSS THE TAX CONSEQUENCES RELEVANT TO RETURNS ON THE BONDS OR ORDINARY SHARES OR TO ANY CASH AMOUNTS RECEIVED ON A CONVERSION.

GENERAL INFORMATION

Listing

Application has been made for the Bonds to be listed on the Official List and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange. It is expected that the admission of the Bonds to trading on the Euro MTF will be granted on or around 14 November 2013. It is expected that dealings in the Bonds will commence on or around 14 November 2013.

The Guarantor has undertaken to apply to have the Ordinary Shares issuable upon conversion of the Bonds and exchange of the Preference Shares admitted to the premium segment of the Official List and admitted to trading on the main market of the London Stock Exchange.

Initial subscription

Pursuant to and subject to the terms of a subscription agreement (the “**Subscription Agreement**”) dated 5 September 2013, Barclays Bank PLC (5 The North Colonnade, Canary Wharf, London E14 4BB), Deutsche Bank AG, London Branch (Winchester House, 1 Great Winchester Street, London EC2N 2DB) and The Royal Bank of Scotland plc (135 Bishopsgate, London EC2M 3UR) (together, the “**Managers**”) agreed with the Issuer and the Guarantor to, and on the Closing Date they did, purchase the Bonds. None of the Managers has reviewed this Listing Prospectus or accepts any responsibility for the information contained in (or incorporated by reference in) this Listing Prospectus.

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 passed on 3 September 2013. The giving of the Guarantee has been authorised resolutions of the board of directors of the Guarantor passed on 15 August 2013 and of a committee of the board of directors of the Guarantor passed on 3 September 2013.

Clearing

The Bonds have been accepted for clearing and settlement through the Clearstream, Luxembourg and Euroclear systems. The Common Code for the Bonds is 097069069. The ISIN for the Bonds is XS0970690698. 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-185S, Luxembourg.

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, nor have there been such proceedings in the 12 months preceding the date of this document, which may have or have in such period had a significant effect on the financial position or profitability of the Issuer, the Guarantor and/or the Group taken as a whole. Except as discussed under “*Risk Factors—Risks Relating to the business of the Guarantor and the Group—The pub industry in the United Kingdom is highly regulated and pub operations require licences, permits and approvals*” above.

Financial and Trading Position

There has been no material adverse change in the prospects of the Guarantor since 30 September 2012, the date of its last published audited financial statements, which are contained in the 2012 Annual Report. There has been no significant change in the financial or trading position of the Group taken as a whole since 30 September 2012.

There has been no material adverse change in the prospects of the Issuer since 28 August 2013, its date of incorporation. There has been no significant change in the financial or trading position of the Issuer since 28 August 2013, its date of incorporation.

Financial Information

The consolidated financial statements of the Guarantor have been audited without qualification as at and for the financial years ended 30 September 2012 and 2011 by Ernst & Young LLP, No. 1 Colmore Square, Birmingham, B4 6HQ. Ernst & Young LLP is registered by the Institute of Chartered Accountants in England and Wales to carry out audit work.

Expenses

The Issuer estimates that the amount of expenses related to the listing and admission to trading of the Bonds will be approximately EUR 7,000.

Material Contracts

The following contracts directly concerning the issue of the Bonds have been entered into by the Guarantor and the Issuer immediately preceding the publication of this Listing Prospectus is, or may be, material:

- (i) the Trust Deed dated 10 September 2013 between the Issuer, the Guarantor and the Trustee, constituting the Bonds and appointing the Trustee to act as trustee and under which such commission in respect of the service of the Trustee as shall be agreed between the Issuer, the Guarantor and the Trustee shall be paid;
- (ii) a Paying, Transfer and Conversion Agency Agreement dated 10 September 2013 between the Issuer, the Guarantor, the Trustee, the Principal Paying, Transfer and Conversion Agent and the Registrar setting out, inter alia, the terms of appointment and duties of the Principal Paying, Transfer and Conversion Agent and the Registrar 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; and
- (iii) an on-loan agreement dated 10 September 2013 between the Guarantor and the Issuer under which the Issuer has agreed to lend to the Guarantor an aggregate principal amount of £97,000,000.

Documents on Display

Copies of the following documents may be obtained free of charge during normal business hours at the offices of the Guarantor and from the offices of the Registrar in Luxembourg (being as at the date of this Listing Prospectus, the address stated on the last page of this Listing Prospectus):

- (i) the Memorandum of Association and the Articles of Association of the Issuer;
- (ii) the Articles of Association of the Guarantor;
- (iii) the consolidated audited financial statements of the Guarantor for the two financial years ended 30 September 2012 and 2011 and, following publication, for each financial year thereafter, in each case, together with the audit reports prepared in connection therewith;
- (iv) following publication, the annual financial statements of the Issuer for each financial year;
- (v) the interim financial statement of the Guarantor for the half-year period ended 31 March 2013 and, following publication, for each half-year period thereafter;

- (vi) the Trust Deed dated 10 September 2013 between the Issuer, the Parent Guarantor and Deutsche Bank Trustee Company Limited;
- (vii) the Paying, Transfer and Conversion Agency Agreement dated 10 September 2013 between the Issuer, the Guarantor, Deutsche Bank Trustee Company Limited and the other parties thereto; and
- (viii) the Calculation Agency Agreement dated 10 September 2013 between the Issuer, the Guarantor and Conv-Ex Advisors Limited as Calculation Agent.

In addition, this Listing Prospectus is available through the Luxembourg Stock Exchange's website (www.bourse.lu) and on the Guarantor's website (www.enterpriseinns.com).

Yield

The yield to maturity of the Bonds at the Closing Date was 3.50 per cent. per annum, payable quarterly in arrear in equal instalments. The yield is calculated as at the Closing Date and on the basis of the issue price of the Bonds. It is not an indication of future yield.

REGISTERED OFFICE OF THE ISSUER

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22 Grenville Street
St. Helier JE4 8PX
Jersey

REGISTERED OFFICE OF THE GUARANTOR

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Solihull
West Midlands B90 4SJ

TRUSTEE

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Winchester House
1 Great Winchester Street
London EC2N 2DB

PRINCIPAL PAYING, TRANSFER AND CONVERSION AGENT

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB

REGISTRAR

Deutsche Bank Luxembourg S.A.
2, Boulevard Konrad Adenauer
L-1115 Luxembourg

AUDITORS

Ernst & Young LLP
No. 1 Colmore Square
Birmingham B4 6HQ

LUXEMBOURG LISTING AGENT

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Vertigo Building - Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

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As to Jersey law

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